

*Cover see inside*  
A USEFUL LOOK AHEAD FROM WASHINGTON

JANUARY 1971

# Nation's Business

An aerial photograph of a coastal industrial area, likely a shipyard or refinery, with a large body of water in the foreground and background. The land is filled with various structures, roads, and green spaces, while the water is dark and calm.

INDUSTRY LEADERS HUNT:  
PRACTICAL  
ANSWERS TO  
POLLUTION



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NO OBLIGATION  
TO PURCHASE.**

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"... I found it not only interesting but helpful and useful as a good basis for organizing successful listening in the future. There's no question in my mind that listening can be and should be one of our two or three most important communication functions. This is an excellent course and very useful for a United States Senator. You are performing a great public service in providing this course..."

**Senator William Proxmire  
United States Senate**

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**Walter McGuire, Nabisco Corporation  
(reprinted from BAKERS WEEKLY  
MAGAZINE)**

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**Guy O. Mabry, Owens-Corning  
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☐ Enclosed is the full payment of \$31.26\* to save myself the bother of a series of payments. I understand that the same 10-day money-back privilege applies.

EL-B



# Nation's Business

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Cover: Infrared photograph of the Potomac River by NASA for U. S. Geological Survey; Cibachrome print from Photo Science, Inc.

*Give to Ernest F. Slater  
At 1305 165C  
Bryant's Road  
Md. 20616*

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# MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

You may have seen an ad recently with the big black headline: **YOU'RE BEING ROBBED!**

It starts out this way: "Virtually every time you spend money, whether at the supermarket, department store, drug store or gas station, you're being **ROBBED!**"

This is obviously untrue.

Yet the ad goes on to peddle a new publication, quoting Ralph Nader as saying "consumers are being manipulated and defrauded, not just by marginal fly-by-night hucksters, but by America's blue chip business firms."

So, naturally all you have to do to protect yourself is buy the publication at **HALF PRICE!!**

Who's the authority who is going to give you all this fine information? Well, the ad says the editor-in-chief is Ralph Ginzburg, "creator of the flamboyant magazines *Fact*, *Eros* and *Avant-Garde*." You may remember Mr. Ginzburg from the time that the Supreme Court decided *Eros* was objectionable, even within the permissive view it has taken of what can be published.

The ad for the new publication is filled with the kind of vague statements that build anti-business sentiment. It winds up with a guarantee that the publication will increase the purchasing power of a subscriber's income by at least 15 per cent.

How can anyone guarantee that?

If you wonder why I am bringing this up, it's because I'm shocked and surprised to see the number of reputable newspapers and magazines which have carried the ad. Practically any magazine you can name. And I'm puzzled about why our colleagues would allow such a completely irresponsible attack on the other advertisers who support them.

We appreciate advertising revenue as much as anyone, but we've told Mr. Ginzburg, "Thanks, but no thanks." *Nation's Business* will not publish ads we feel are unbelievable on their face.

...

Speaking of advertising, *Nation's Business* did pretty well in 1970. As Dizzy Dean used to say, "it ain't braggin' if you done it"—we have no qualms about telling you we were approximately 10 per cent higher than the year before in pages. And some of our esteemed competitors were 400 and 500 pages behind.

...

Maybe one of the reasons for the gain is our new type of cover. For example, this month's cover is a color infrared photo of the Potomac River below

Washington, D. C., and those streaks in the river are pollution.

On infrared film, vegetation shows up red—and the pollution shows up red because it's algae, a form of vegetation. Of course, the algae grow from sewage.

The photo was taken for scientists of the U. S. Geological Survey from a NASA plane 60,000 feet high. We think you'll be interested in the article on page 18 about how industry is trying to solve pollution problems.

*paid to News & Inf. Dept*



Businessmen are also seriously concerned about the continuing problem of crime.

Recently, F. Ritter Shumway, president of the Chamber of Commerce of the United States, and Arch N. Booth, executive vice president, visited President Nixon at the White House (photo above) to congratulate him on the Administration's efforts to curb crime.

They also informed Mr. Nixon of the National Chamber's vigorous efforts in this field.

For example, the Chamber has just gotten out an excellent new booklet entitled "Marshaling Citizen Power Against Crime." It contains some practical advice on how to go about correcting weaknesses in the law enforcement, court and correctional systems. The price for 1-9 copies is \$2 each; for 10 to 99, \$1.60; for 100 or more, \$1.40.

Mr. Nixon got a complimentary copy. We're in favor of holding down government spending.

*Jack W. Waldridge*



# Tight Money Talk

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In Canada: 331 Bartlett Avenue, Toronto.

## MONEY LETTERS ISN'T EVERYTHING

- Re "The Uphill Road to Black Capitalism" [December].

I started with a \$28,000 investment six years ago, and now own a shopping center and operate the main store in the center. There are 26 additional stores in the center, all locally owned, managed and operated. Even those businesses which are franchised must be locally managed.

I decided, when business was so good to me, that I was going to put a Negro into business—as a dry cleaner—for himself. I invested \$38,000 in equipment and some \$20,000 in a building, and have spent the past three years trying to get technical "know-how" assistance; but the Negro is still struggling.

I could go on at length but this is the tragedy of minority businesses. The only help that is given is money, and then there are papers or extensive forms or reports to make out, and the minority members just can't cope with this.

It is too bad that the program to help minorities does not take this into consideration.

C. M. ANDERSON  
President  
Gibson's Discount Center  
Alamo, N. Mex.

- A reference to The First National Bank of Chicago in Charles L. Frankel's article provides an inadvertent illustration of Mr. Frankel's point that good intentions are not enough, that "idealism must be tempered by the reality of experience."

The bank did "discontinue its loan and counseling program" as reported. But that was more than two years ago. A well-intentioned early effort was manned by volunteer officers inexperienced in the hard realities of minority enterprise.

Having learned from this early effort that good intentions were not enough, the bank, in 1968, established a new Small Business Loans Division for the express purpose of working with minority enterprise. Staffed by

four full-time officers who have become expert in the field, this division has proved an active catalyst in Chicago's budding black capitalism.

With commitments of over \$8 million to some 80 business and industrial enterprises, it is one of the outstanding programs of this kind in the country, and steadily growing.

JOHN N. DeBOICE  
Vice President—Public Relations  
The First National Bank of Chicago  
Chicago, Ill.

### Mission on emissions

- The suggestion by Alexander Palos ["Letters," November] that 10 cents be added to the gasoline tax to promote rapid transit and therefore reduce the use of the private automobiles is not, in my opinion, a solution toward reducing either air pollution or traffic congestion in our cities.

His suggestion that an ecology tax can be applied now and removed after 10 years is wishful thinking. Once a tax has been in effect for any length of time it would almost become perpetual. Also, increased rapid transit, though badly in need of improvement, would not benefit the millions who live in outlying areas, where it would be impractical and too costly to install and operate. These people and millions of others rely on the automobile as a means of convenience.

I don't think the automobile owner should be penalized for pollution caused by the automobile. I believe the responsibility of producing automotive vehicles with low pollution emission is the manufacturers'.

We should not ignore the fact that we are living in an age of progress and that the automobile, whether for passenger or delivery services, has helped to promote this progress.

With our research capabilities, the manufacturers should, within a reasonable time, be able to produce a machine and its required fuel that are pollution-free.

L. GEORGE PETERSON  
Everett, Wash.



# Before you consider opening a new warehouse, consider closing it.

Pouring concrete for a warehouse can get you in a market area so solid that you lose the flexibility to move when things change.

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# Deep in the hills of Tennessee, they're splitting atoms, not rails.

The Oak Ridge National Laboratory has come a long way since it helped develop the atomic bomb during World War II. Some of the radioisotopes manufactured there are used in research at the University of Tennessee Medical Units in Memphis. Another Memphis hospital, St. Jude, is nearing another medical breakthrough. At Tullahoma, wind tunnels at the Air Force's Arnold Engineering Development Center test prototypes of future air and spacecraft. And in Nashville, at the Kennedy Center for Research on Education and Human Development, important work is being done in understanding and curing emotional disturbance and mental retardation.

Tennessee is not just a good place to make things. It's a good place to find out how. And why. That's why many companies with plants here have moved their research and development operations to Tennessee. Find out why. Write for **Industrial Tennessee**, Office of the Governor, Cordell Hull Building, Nashville, Tennessee 37219.

THE 3 "STATES" OF  
**Tennessee**

3 STATES IN ONE





### Only Congress can do it

• The title of the article on the dollar [November; "Will the Dollar Be Devalued via the Back Door?"] is quite timely but, unfortunately, the author makes a statement that I think should be corrected in the interest of clarity.

He states, "We would be officially admitting what too many people have found to be the case during the recent years of inflation: That our dollar has been devalued, year by year, and that it doesn't buy as much as it was supposed to when it was earned."

The author makes a common mistake of equating the depreciation of the dollar and its devaluation. These are two separate and distinct monetary matters. The dollar has not been devalued since 1934. It requires an act of Congress to do so again.

FELIX EDGAR WORMSER  
Greenwich, Conn.

### Student sounds off

• Your "Sound Off to the Editor" has always been interesting and although I do not always agree with the majority of the responses, I have respected the beliefs and attitudes of the businessmen. That is, until your October "Sound Off Response"—"The Campus and the Campaigns."

I find it totally inconceivable that eight of 10 men could say that students should not get time off to campaign.

Can the business world be so instilled with fear of college students? Can the influence that we may have on the electorate be so terrible? Or is it just that your business leaders do not realize the importance of campaigning?

Obviously this must be part of it, since one of your respondents labeled the campaign recess as "goofing off" for two weeks. Actually I found this very amusing. Last May I worked for three weeks in the primary race in Pennsylvania, and not only was it a 16-17 hour-a-day job, but one of the most beneficial learning experiences of my college career. I, therefore, recommend a campaigning experience for every college student. It not only makes you more aware of the issues,

but instills you with a fervent trust in the American political process.

If you, the nation's businessmen, consider this "goofing off" or "idiotic," and you are a significant part of the makeup of the American electorate, then perhaps we'd better just stick to the books and leave the campaigning to someone else. But, we can't pass the buck anymore.

The Princeton Plan and others like it are trying to prove that we aren't "radical bomb throwers." We love America, too. Give us a chance to prove it.

JUDITH GRANDE  
Brooklyn, N. Y.

### Broadening the picture

• The fine article entitled "More Muscle in Business' Corner" [October] should do a great deal to promote the voluntary association field.

However, we were disappointed that Professional Photographers of America was not listed among the early associations. We were founded in 1880 and are the oldest and largest association of professional photographers in the world.

FREDERICK QUELLMALZ  
Executive Vice President  
Professional Photographers  
of America, Inc.  
Del Plaines, Ill.

### Down to earth approach

• Re "Seven Ways to Turn Off Turnover" [October]. Mr. Snelling certainly brings the subject of employee turnover back down to earth after its long sabbatical in the rarefied reaches of behavioral science.

ROBERT W. MURRAY  
Manager, Technical Communications  
Whitaker Corp.  
Los Angeles, Calif.

### Recognition

• As a business woman—a corporate officer and the manager of a small public utility—and a wife and mother, I wish to say thanks for the article entitled "Those Powerful Powder Puff Executives" [November].

We women do make up a small part of the business world and it is nice to be recognized.

I am a reader of ALL of NATION'S BUSINESS, also. Thanks much.

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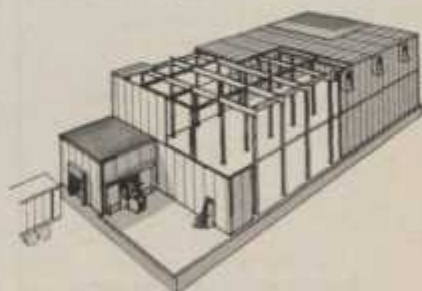


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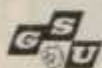


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2. Specific details on the four basic regions within this area.
3. Solid information on shipping, agriculture, petrochemicals and timber products.



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## EXECUTIVE TRENDS

BY JOHN COSTELLO  
Associate Editor

- Managers more in demand?
- "Talking" with LISP
- Leaving well enough alone
- Those half-hidden benefits

### Job outlook: Looking up

"Maybe I'm in the wrong field," one Eastern middle manager moans.

"Iron workers get \$12 an hour. They're in demand.

"I'm making only \$25,000—and my pay may be cut, or I may be fired."

Is that too pessimistic a view?

"Yes," one executive recruiter says, "if he's a good man. But it's easy to see why he's glum.

"Since mid-1969, demand for executives has dwindled.

"It should pick up, however, in 1971—along with business."

That's the forecast of Gardner Heidrick, co-founder, Heidrick and Struggles, Chicago-based executive recruiters.

"Job openings," he adds, "may expand a little slower than the economy. Most experts see GNP hitting \$1 trillion this year, up from \$978 billion in 1970. This will spark a long-term growth in demand for executives."

However, he cautions, the pickup won't help the poor performer.

"Most of the openings," he says, "won't be for new jobs. They'll be slots that the front office wants to fill with better men.

"Last year, firms not only shelved expansion plans. They even cut back. Retrenchment hurt middle managers first, with staff positions left unfilled. Now cost-consciousness is affecting the senior level.

"General managers who can't cut it are out. If you're on the top rungs today, you've got to perform."

Even though demand will improve in '71, the turnaround may be slower in the East and on the West Coast than in other areas.

Says Gerard R. Roche, Heidrick and Struggles vice president and manager, New York: "Wall Street's pessimistic, and that colors the outlook there."

On the West Coast, "there'll be some upper level openings—at least in early 1971. But middle management jobs will be scarce," says Thomas J. Johnston, director, West Coast operations.

Who'll have the brightest prospects?

"Executives who can truly manage

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## EXECUTIVE TRENDS

*continued*

innovation, not merely react to it," the firm says. Among them:

- Financial men skilled at cash conservation.
- Production executives who can boost return on investment.
- Marketing men who can sell to today's sophisticated customers.

### ALGOL, FORTRAN, SIMSCRIPT and LISP

No, it's not the name of a brokerage house. Nor of a big, successful law firm.

Those are four popular computer languages. Your senior programmer should know something about their scope and use, Data Processing Management Association says. And, it adds, he should have good command of a fifth: COBOL.

Recently, some 1,400 programmers took a three-hour quiz on all five, plus other aspects of electronic data processing.

More than half of those who took it passed, and earned the right to a new title: Registered Business Programmer.

DPMA gave the exam.

"It's part of our continuing effort to bring professionalism to the field," a spokesman says.

"The exam was tough, unless you had the equivalent of three years' experience as a senior programmer."

The association also awards a Certificate in Data Processing.

Candidates must have two years of college training and three years' work experience. They submit to a stiff day-long exam that covers principles of management as well as computer lore.

"Last year, 2,312 took it," DPMA says, "and 718 passed."

DPMA awarded its first certificates in 1962. Now some 11,000 people, typically managers of computer installations, have them.

### When the cure's worse than the disease

Bill Jones was a crack salesman. But he drank a lot of booze and

chased a lot of women on the road.

His boss knew it. In fact, almost everyone did.

So, reluctantly, the boss took him to task.

"Look," Bill replied. "I never drink on the job. I'm discreet. And I've been a good producer for five years."

"Do my customers complain?"

"No, Bill," the sales manager replied, "but you're setting a bad example for the other men."

Result: Bill drank more and sold less.

"That's an example of latrogenic disease," says Dr. Mortimer Feinberg, president, BFS Psychological Associates, Inc. "Meaning an ailment caused by the doctor's intervention."

"It's all too common with managers."

"They're paid to make decisions—and take action. But often the best decision is no action."

How can executives make a wise decision on when to act—and when to leave well enough alone?

Here are some guidelines Dr. Feinberg suggests:

- Distinguish between a real problem—and what simply rubs you the wrong way.
- If you must intervene, do it informally. "Husbands and wives can usually solve their fights," Dr. Feinberg says, "until they call in a lawyer."
- Don't be a knee-jerk buttinsky. Take a close look at each case before you react.
- Avoid making important decisions when you're under stress.
- Save the panic button for a genuine crisis.
- Focus on prevention, rather than cure.

"Bill's problems—women-chasing

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# THE KNACK DISSECTED:

or how to make the hand quicker than the eye.



The Hand-Span Keyboard teaches the hand the knack of adding, subtracting, multiplying and dividing—by touch. It's sized and organized so fingers can find all keys for themselves. Just  $5\frac{1}{4} \times 3$  inches, it puts every key where a working finger can reach it, while keeping the thumb at rest as anchor and guide.

The Finger-Seater keys further the knack. They're scooped and lipped

just enough to seat the finger securely. And, because they're so big, on such a small keyboard, there are no slip-into spaces left between them.



The Home Key has a bump in its middle to keep your hand on the keyboard, and your eyes off. If you're interrupted, this bump will touch-tell your middle finger when it's back in the right starting place.



The R Key is raised so you can press it and the Add Bar together. Do this when you want to add a number over and over without indexing it more than once.

(For repeat subtraction, press R and minus keys.)

The Add Bar is raised, too, to compensate for the little finger's shortness.

The Instant Corrector cancels errors by subtracting numbers you print by mistake.



The Memory Key prevents errors by storing a number until you need it again. Suppose, for example, you press it right after printing a total.

When you want that total once more, for grand totaling, you simply press the Add Bar (or minus key, or X key) and the machine will give it correctly back. Or, if printing a constant that you'll want back more than once, follow the same procedure, but, after pressing the memory key, lock the constant latch.



The Multiple Ciphers When indexing a number, what numeral do you most often repeat? Of course, the zero. We've given you a double zero for your hundreds, and a triple for your thousands, as well as the usual one. These multiple zeros do more than save time. By preventing needless repetition, they also prevent mistakes. Anything else we can tell you about this keyboard? Yes, two things.

Because it's so small, the whole machine is small, too. In fact, at 10 x 12 inches and 20 pounds, it's the smallest, lightest printing calculator in its class.

And, because it's so knack-inducing, we made sure it would stand up to knocks. (Nothing makes customers angrier than a habit-forming machine on the blink.) Its main-shaft is case-hardened steel. And that rides on life-time bearings. And every part is individually tested. And so is every assembled machine. And—although our Swiss engineers tell us these machines are virtually impossible to break—the parts are all modular. And every dealer has parts. (So if you should ever break the unbreakable, it can be changed almost light-bulb fast.) For the name of your nearest dealer, write to the address below.

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*Frank*

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## EXECUTIVE TRENDS

*continued*

and drink—were probably the result of some deep-rooted feeling of guilt," Dr. Feinberg says. "When he was braced openly by his boss, it was magnified."

One good rule to follow, Dr. Feinberg says, is this. Make sure it's really your problem, before you try to solve it. And if it is, the best approach is:

"How may I help you?"

Not: "I'm here to get this straightened out."

### Giving them the message

Remember when they were "fringe benefits"?

That is, a little frosting on the wage cake.

Many employees still think of them that way, surveys show. But they're not fringes now.

Those extra benefits cost employers \$1 for every \$4 in direct pay.

How can you get across what you're really paying your employees?

"Try an annual employee statement," suggests Towers, Perrin, Forster & Crosby, a Philadelphia-based management consultant firm.

"Prior to the computer, it was difficult, time consuming and expensive. Now, thanks to EDP, it's comparatively simple.

"An annual statement includes all the benefits the company pays for each individual employee—and what that adds up to in dollars and cents.

"It helps get across to the guy making \$8,000 that he's really getting \$2,000 more in less-visible pay.

"He's in the \$10,000 bracket—not \$8,000."

Annual statements should be personal, and make the employee feel he's involved intimately with the firm, TPFC says.

They bridge "a big communications gap," it adds.

"Many employees think they're paying the full cost of their benefits—like insurance.

"This shows them how big a tab the company picks up."



# PANORAMA

## of the nation's business

BY VERNON LOUVIERE  
Associate Editor

### Institutions of Corporate Learning

Corporations and other business groups soon will be able to hold their meetings in a "learning center"—a kind of educational three-ring circus.

The first of these is now going up in Atlanta, and it is to be followed by similar learning centers in nine other U. S. cities and in Toronto, Canada.

Says J. Sterling Livingston, chairman of Sterling Educational Network, which conceived the center concept:

"Everything that can contribute to effective business communication has been designed in, and everything that can detract from the learning process has been designed out. It is possible to teach larger classes in a shorter period and at a much lower cost per student."

The Atlanta center is a joint venture with the Marriott Corp., major operators of hotels and restaurants. Another center is to be built in Houston, Texas, and negotiations are

*Have Automation!*



*The heart of a Sterling "learning center": an audio-visual complex.*

under way to locate it at the Marriott Motor Hotel there.

"Group meetings are important to us," J. W. Marriott Jr., president of the hotel-restaurant chain, points out. "We design our hotels with this type of function in mind."

All 11 learning centers will be within 15 minutes of a major airport, and there will be one within an hour's flying time for every prospective U. S. client.

A typical center, whose audio-visual complex will resemble the Strategic Air Command control room, will be usable for many purposes—for board meetings, new product introduction, suppliers' meetings and sales management conferences, as well as for training of executives.

Policy boards which are helping design the facilities are made up of faculty members of Harvard, Massachusetts Institute of Technology and other leading universities.

"It is costly to take employees from their work and provide education and training meetings for them," Mr. Livingston notes. "It follows that these programs should be as effective as possible—yet the methods and facilities now employed are usually far inferior to what businessmen expect for proper education of their children."

### Low Spirits Produce the "Phantom Week"

If tardiness, absenteeism and turnover are on the upswing in your company, the "phantom work week" may be to blame. It's a situation that is costing business in large, congested cities millions of dollars in salaries paid but not earned.

The Fantus Co., a New Jersey firm that has spent 25 years finding new locations for industry and other types of businesses, coined the phrase. It represents the uncountable man hours lost by employees in the struggle to get to and from work—and to survive—in a deteriorating big city environment.

"The combination of journey-to-work frustrations, fear of physical attack, air pollution and overpower-

ing noise levels, coupled with high living costs and economic anxiety, are adversely affecting attitudes, job habits and productivity," says Leonard C. Yaseen, chairman of Fantus.

Mr. Yaseen points to research findings which show that urban workers—executives and clerks alike—are becoming increasingly unhealthy both physically and mentally because they have to work under such conditions.

The average big city commuter rides in equipment generally over 30 years old, or if he drives fights maddening daily traffic congestion and travels farther than ever before. Commuting is now measured by time, not distance. A commuter will average 17 miles in an hour by train, 16 by auto, seven by subway and five by bus.

"As a result, all too many metropolitan jobholders arrive fighting mad

before the day starts," according to Mr. Yaseen. "Their aggressive behavior, of course, is a defense mechanism induced by doing battle with a hopelessly snarled transportation system. For an increasing number, however, the matter does not stop there. Another compensatory mechanism develops. After a while the employee doesn't even care if he gets to work late—or if he gets there at all."

Add this to the irritants of noise, pollution and fear for personal safety and you have a thoroughly neurotic employee on your hands, the Fantus executive points out.

The National Center for Health Statistics bears this out. It reports that workmen in small towns have a 17 per cent better chance at age 65 of surviving to 85 than do those in densely populated urban areas.

*continued on next page*



## Cutting Companies' and Society's Losses

Juvenile delinquency and drug abuse are increasingly expensive for insurance companies, due to property destruction, car thefts, robberies and break-ins.

They also are burdens shared by the general public; they cut across the whole fabric of society.

With both private and public burden in mind, the Kemper Insurance Group of Chicago has produced a series of public service films whose messages are being directed at millions of Americans through schools, service clubs and television.

The latest such film, called "It Takes a Lot of Help," is a hard-hitting documentary that focuses on drug abuse and some programs that are under way to help the public and the victim understand it.

Earlier films put out by Kemper deal with juvenile delinquency, the police officer and the fire fighter.

"The Dangerous Years," whose subject is juvenile crime, has drawn widespread acclaim from police officials. Quinn Tamm, executive director of the International Association of Chiefs of Police, called it "an important step forward in acquainting



*Sen. Harold Hughes (D.-Iowa), a recognized expert on drug abuse, discusses it at a film preview. Mr. Kemper is at the Senator's right.*

the American public with one of the most difficult and complex problems facing law enforcement authorities today—the juvenile offender."

The film on drug abuse may prove to have the widest national impact. Produced in cooperation with the National Coordinating Council on Drug Abuse Education and Information, "It Takes a Lot of Help" tries to give direction to communities anxious to correct their local drug abuse problems.

"We are certain that users who

steal to support their habit are costing insurance companies hundreds of millions in losses each year," James S. Kemper Jr., president, told *Nation's Business*.

Mr. Kemper regards "It Takes a Lot of Help" and the other films as an "opportunity for us to make a meaningful contribution while simultaneously working on problems that relate to the success of our business. We have selected problems we know best and which will reap returns for us and society."

## A Technique for Teaching Technicians

For a young South Dakota farmer looking for work, Chicago could not have been a worse choice in the Depression year 1933. But it wasn't long afterward that Sherman T. Christensen had more work than he could handle and was passing out jobs to his in-laws.

He rented a vacant store, set up housekeeping in a back room for his wife and infant son, and began canvassing the neighborhood to see who needed electrical appliances repaired... and had the money to pay for it.

"I could repair almost anything but most of my orders were for sewing machines, and there I was weak," Mr. Christensen recalls today.

"I saw an ad in a magazine for a home study course in repairing sewing machines but I didn't have the \$5. Not long afterwards the ad reappeared, putting the price at 50 cents instead of \$5."

Mr. Christensen paid the 50 cents and the course amounted to seven mimeographed sheets of poor quality instructions. The second page said, as he remembers it, "When you call on a customer to fix her machine, ask for the service manual and just follow the instructions."

Mrs. Christensen told her husband, "Sherm, you can write a better course than that."

Sherman Christensen did, and Advance Schools, Inc., which he started some years later, is today one of the most successful home study firms in the country. It grossed about \$20

million last year, and expects to nearly double that in 1971.

Advance Schools has sales offices in 64 cities, served by 365 field representatives. It is believed to be the only home study school which relies solely on personal sales contact and pays its salesmen salaries, not commissions. In the early years, Mr. Christensen, who had three years of college, wrote most of the manuals for his home study courses. Now, he has a team of experts writing them.

Advance Schools, organized to train technicians in electricity and home appliance repair, now offers courses in refrigeration service, mobile engine repair, basic electronics and a variety of business subjects. It is accredited by the U. S. Office of Education and most of its students are ex-GIs.



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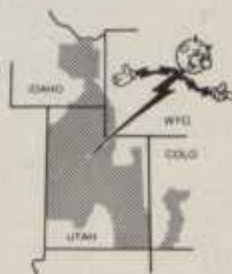
"With these people, you can explain things, and they understand. And they know how to produce.

"There's much more here, too: great fishing and hunting nearby, professional hockey and basketball, excellent college football and basketball, an internationally renowned symphony orchestra and all types of legitimate theater.

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—Raymond W. Sundquist  
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## SOUND OFF TO THE EDITOR

## SHOULD THERE BE A FEDERAL OMBUDSMAN?

In discussions of the problems of dealing with the federal bureaucracy, you're sooner or later likely to hear the Swedish word "ombudsman."

An ombudsman is a government official with an unusual assignment. He is appointed to work on behalf of citizens who feel they have been mistreated by one or more of the regular agencies of government.

His job is to dig out the facts and, if the complaint is justified, set things right. That often would bring him into conflict with his fellow government officials.

Several bills to create a federal ombudsman are pending in Congress. Their sponsors say too many citizens have too much trouble trying to straighten out problems with a far-away government that frequently answers them with cold, impersonal forms and form letters.

And, advocates of the ombudsman plan say, a federal agency that has made an error might often be tempted, when challenged directly by a private citizen, to try to justify or cover up the error, rather than move rapidly to correct it. An efficient, aggressive ombudsman, they say, would be concerned only with a fair solution to a given problem.

As they picture him, the ombudsman would be Mr. John Q. Public's champion, slashing through the red tape jungle.

But those who question the idea see no such utopian scene. The ombudsman's office, though intended to help the average citizen penetrate the federal bureaucracy, could, they say, become just an additional layer in that bureaucracy, merely forwarding complaints to the office involved and relaying replies back to the aggrieved

citizen. In addition, they hold, it would be difficult for an ombudsman to avoid being influenced by considerations affecting those who appointed him.

He might well find specific matters declared off-limits to him because of political factors, which would automatically negate the very reason for his appointment.

Those favoring the idea say that, once appointed, an ombudsman concerned about keeping his job would have more reason to try to satisfy the citizenry than to curry favor with a political party.

The discussion will continue and, in the not too distant future, perhaps, a decision will be made.

How would you decide the question? Should there be a federal ombudsman? What, briefly, is the major consideration in the answer you give?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Should there be a federal ombudsman?

☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

Company.....



# SOUND OFF RESPONSE

## AGREEABLE DISAGREEMENT

Seldom have so many people taking opposite stands on a question really been in such basic agreement.

The tally on last month's "Sound Off to the Editor" question—"Should There Be a Business Day?"—was close, though Yeses edged out Nos.

There was sentiment that business deserves this form of recognition. W. D. Bjorseth, vice president and treasurer, Admiral Corp., Chicago, Ill., urged for example that such a holiday be established in August—which has no major holiday—"to remind our American society that free enterprise is alive and well."

And there was sentiment that no observance is needed because—the phrase cropped up in a number of answers—"every day is business day" in America.

But many of those answering No said their objection was not to a day honoring business, but to giving employees another day off. Employees have enough paid holidays now, they said.

Many of those answering Yes gave the same reason in arguing that a Business Day, if there is one, should be observed as a day of work.

A sampling of No answers:

"As I sit here working at the office on Saturday while all the 'help' is enjoying a day free of care or concern for the business that provides their all, I wonder if you can really be serious," wrote M. Lou Schuman, owner, Schuman Salesbuilders, Billings, Mont. "In a small business like this (four people, total) 'tis a rare weekend or holiday when the owner doesn't have some necessary work to do. Check the number of people who 'honor' the purpose of any holiday. What makes you think any honor would be done businesses by giving employees another paid day with nothing to do?"

"A Business Day? What for?" asked Guy Warden, personnel manager, Tescom Corp., Minneapolis, Minn. "So we can provide labor with another paid holiday at the expense of business? Or so that we can lose

another operating day which would reduce the already dwindling time available for utilization of our investment? That would be like breaking your arm in order to pat yourself on the back."

Advised D. H. Hershberger, assistant secretary, The Brush Beryllium Co., Cleveland, Ohio: "Don't add another element of cost!"

Said Ralph W. McElyea, secretary treasurer, Phelps-Terkel, Inc., Menlo Park, Calif.: "We do not need any more holidays—the labor fakers only use them to take another two days off. All holidays should fall on the same day, preferably Saturday, to stop this practice."

American business, wrote Harvey L. Cohen, president, Valco Reproduction and Mailing Service, Inc., Brooklyn, N. Y., has through "unending ingenuity" been able to earn profits "in the face of shorter work weeks, longer vacations, more sick leave, longer coffee breaks and wash-up times. We don't need an excuse for another day off—rest assured that organized labor will find it for us."

And on the Yes side:

"Another paid holiday would be as welcome as a tax increase," wrote G. P. Hemmeter, district manager, The Western Union Telegraph Co., Indianapolis, Ind. "I suggest we have a Business Day on which all employees would work without pay. Absenteeism on this day would mean a penalty of one day's wages. Or, on Business Day, all workers would strive to increase their production by at least 10 per cent."

Said Loren E. Hopwood, vice president, MAPCO, Inc., Indian Point Division, Athens, Ill.: "A Business Day, yes. A holiday, no. If our employees desired to recognize a Business Day and contribute their time for a day to the business to pass on to a charitable organization, fine."

There should be a Business Day, but "it should not be a holiday in the usual sense," wrote Francis J. Herrmann, owner, Venango Machine Co.,

Wattsburg, Pa. "It should fall on a Saturday and all workers should put in an honest day's work without compensation as an expression of gratitude to their employers, who provide so many paid holidays."

R. D. Bailey, manager, dealer promotion, Caterpillar Tractor Co., Peoria, Ill., agreed that "it should be held on Saturday, with everybody working for nothing." He asked: "What better way to memorialize those brave souls who invest in business ventures?"

A. J. Ormston, vice president, Florida Power Corp., St. Petersburg, Fla., said "a working Business Day would contrast with nonworking Labor Day, and would give recognition to business and keep it going."

Ronald Sustana, director, corporate communications, R. J. Reynolds Tobacco Co., Winston-Salem, N. C., was on the No side. "Establishing a holiday to honor business would be about as useful as giving a terminal disease victim an aspirin," he said. "It probably wouldn't do any harm but it sure wouldn't do any good. Who thinks of veterans on their day? And the Fourth of July and Labor Day have little significance beyond being days added to weekends."

Suggested Ralph M. Wells, director, public relations, Morton International, Inc., Chicago: "Business needs a day all right; I would suggest Labor Day for starters. Give it back to business as another paid work day to make up for part of the inflationary wage gains of late. Perhaps holidays should be based, as are cost of living labor contract escalator clauses, on some measurement of industrial activity . . . Say, give time off in good years, take time back in lean."

Wrote Harold R. Knop, of Harold Knop Real Estate, Blytheville, Ark.: "If there is to be a Business Day, why not combine it with Labor Day and make it Labor-Business Day? It can be dual recognition. After all, one can't get along without the other."



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## INDUSTRY LEADERS HUNT: Practical Answers to Pollution

An executives' council established by President Nixon is using the "peer pressure system" as a tool on a tough job



*Bert S. Cross, National Industrial Pollution Control Council chairman, says he neither wishes to "berate" industry nor to help it "alibi."*



*Vice Chairman Willard F. Rockwell Jr. provides liaison with the Citizens' Advisory Committee on Environmental Quality.*

During the past nine months some 230 business leaders have held a series of meetings in Washington behind closely barred doors.

Under normal circumstances, Justice Department antitrust lawyers might be expected to take a hard look at such sessions. But these aren't normal circumstances. The meetings take place under the benevolent eyes of Commerce Department lawyers.

The central subject is industrial pollution. The businessmen are on the National Industrial Pollution Control Council, a 63-member advisory body President Nixon established last April, and on 30 subcouncils the Council set up.

If all goes according to plan, President Nixon will receive the Council's first annual report sometime next month.

More in the nature of a "progress report," it isn't being heralded as earthshaking because of the relatively

short period in which the Council has been operating. But Commerce Department officials say significant progress has been made.

What tangible results can be expected? Almost certainly a promise of constructive efforts on industry's part to work with government and the public to create a cleaner environment.

Overnight panaceas won't be proposed. But a clearer perspective of problems and causes is expected—one which will provide a framework for equitable regulation of business and for public use of business' products.

All but three of the members of the blue chip Council are top executives of giant businesses—most of them are chairmen or presidents. Taken collectively, they represent a whopping share of the gross national product.

Since their firms are potentially "big polluters," their being called

upon to study the problem and recommend a course of action to the Administration is, according to critics, "Like putting the fox in the hen-house."

One vocal adversary is the Public Interest Research Group founded by consumer advocate Ralph Nader. It charges the Council's membership "reads like a who's who of American polluters."

Answers Willard F. Rockwell Jr., vice chairman of the Council and board chairman of North American Rockwell Corp., "These people are broad-gauged and are looking after the public's interest as well as their stockholders' interest."

### How it began

The genesis of the Council was the President's message to Congress last Feb. 10, in which he announced a 37-point program on the environment and his intention to form an "indus-





Commerce Department's Walter A. Hamilton is executive director of NIPCC. He most definitely doesn't do its members' work for them.

Secretary of Commerce Walter A. Hamilton was tapped for the job.

Reflecting on the selection of Council members, Mr. Hamilton recalls that they had to be top men in their firms, have reputations as "movers, shakers and forward thinkers" and "have one other thing in common—pollution problems."

The first meeting took place on April 14. By that time 44 of the eventual 63-member board had been named. Twenty-two were on hand and as one observer recalls, they exhibited "cautious optimism."

"They were committed to try," he says. "Solutions to the pollution problem were badly needed. They knew it would be difficult, but they were willing to try."

The task was going to turn out to be more demanding than some thought. Mr. Rockwell, for example, says, "I'm putting in more time for the government than I am for my stockholders these days."

#### No alibis

Similar demands on their time were evident to the assembled members when Chairman Cross got that first meeting under way and spelled out his position:

"I did not accept the chairmanship of this committee either to berate industry or to help it find an alibi."

The Council's job, as he outlined it, was to make an objective effort to "determine how and to what extent industry is responsible. . . . We will strive to eliminate the causes . . . [and] cooperate with the other elements of our society, each of which makes its own contributions to our total problem. . . ."

He also warned of the consequences of merely reacting to antipollution measures, rather than taking the initiative:

"By developing a practical formula . . . rather than being forced to tailor its operations to formulas legislated by people who have no understanding of the technological complications . . . business will be making life quite a lot simpler for itself."

Secretary of Commerce Maurice Stans said NIPCC should deal with the industrial pollution problem in an orderly, economically sound manner and within a reasonable time.

"No one expects business or anyone else to do the impossible," he said.

Council members have two basic roles—to advise the President, through the Secretary of Commerce, and to serve as leaders in voluntary action in industry. The Council, Mr. Cross stressed, would not be an enforcement agency.

The 30 subcouncils do the actual pick-and-shovel work for the main Council. Each covers an industry and all types of pollution within that industry.

Members of the full Council serve as chairmen and vice chairmen of the subcouncils. They have selected from six to eight other executives of firms within their industries as subcouncil members. They have tried to obtain a geographical spread and to include smaller businesses.

#### Pressure from their peers

Each unit operates under the "peer pressure system," essentially a problem-solving management technique that capitalizes on brainstorming on issues by highly competitive, successful decision-makers.

Members of the Council or subcouncils are not permitted substitutions or alternates. Nor can they have their corporate staffs at their elbows in the shirt-sleeve, roundtable discussions. Around the table, all are peers.

Since each member is perhaps the best problem-solver in his particular firm, the system is calculated to tap a stockpile of inventive thinking.

As authorized by the executive order, the meetings are closed. A member of Mr. Hamilton's staff and a Commerce Department lawyer are in attendance; the staff member to prepare summary minutes and the lawyer to see to it that there is no hint of violation of antitrust laws.

The three Council members who are not heads of private businesses are Arch N. Booth, executive vice president of the Chamber of Commerce of the United States; Werner P. Gullander, president of the National Association of Manufacturers; and Alexander Trowbridge, president of the National Industrial Conference Board.

Mr. Gullander and Mr. Trow-

trial council." On April 9 he signed an executive order setting up the Council and named Bert S. Cross, then board chairman of 3M Corp. and now chairman of 3M's finance committee, as Council chairman.

Mr. Rockwell, who had previously been named to the Laurance Rockefeller-headed Citizens' Advisory Committee on Environmental Quality, was appointed to the Council, reportedly to ensure liaison between the two groups. Both rank just below the Council on Environmental Quality, chaired by Russell E. Train, which is the President's top advisory group on environmental matters.

The Commerce Department was given the job of organizing and choosing members of the Council.

An individual "outside government" was offered the permanent spot of executive director, but when he replied "I wouldn't touch it for a million dollars," Deputy Assistant



## Industry Leaders Hunt: Practical Answers to Pollution *continued*

bridge are members-at-large. Mr. Booth was asked to serve as chairman of the Wholesale, Retail and Services Subcouncil. The other 29 subcouncils cover major industries such as beverages, containers, automobiles, detergents, chemicals, airlines and aircraft, mining, etc.—categories taken from the government's "Standard Industrial Classification Manual."

Specifically excluded were banking and the radio-television industry. Agribusiness was found to be covered in a number of industries, such as feed-lot operations (food) and fertilizers (chemicals).

When the members fanned out for home after that first meeting last April, it was obvious that more was involved than some had anticipated. "There was quite a bit of naïveté at first," one member recalls. "Some didn't realize the extent of the job. But today they are much more sophisticated about its intricacies."

In one instance last spring, a subcouncil chairman phoned Mr. Hamilton and said that those in his group had concluded theirs was a clean industry and that he was going to discharge the subcouncil.

Says Mr. Hamilton: "I asked him 'When was the last time you or your members read Rachel Carson's book 'Silent Spring'?' They decided to keep working."

For some, the peer pressure system was a source of trauma. One corporate official called Mr. Hamilton to complain, "What are you doing to my boss? He says he hasn't worked like this in 20 years."

The return to "do-it-yourself" was a shock to those grown accustomed to phalanxes of vice presidents and sizable staffs at their elbows. Mr. Hamilton says one initial meeting began with the chairman asking:

"What have you prepared for us?"

"Nothing," Mr. Hamilton replied.

"Well, what do we do?"

"That's up to you."

The executive director remembers the silence that followed as being heavy for a few minutes. However, conversation soon got under way, with the realization that the members—not the government staff—were to define the problems and solutions.

In some cases, Council members were meeting each other for the first

time, although they were competitors in the same industry. This was to produce some concern on their parts—not only that they might be accused of antitrust violations, but that they might endanger company secrets, since many pollution problems are tied to manufacturing practices.

However, the risks seemed worth taking. Commenting on the advan-

tages of having the heads of many of the nation's larger industrial firms on the Council, Mr. Cross observed at a press conference:

"Obviously some industries have done a better job than others, and I think that just being able to pass this technology back and forth between the separate members is going to have a good effect."

### SLIMMING DOWN THE WASTE

In mid-November, the National Industrial Pollution Control Council published the first three of an anticipated 40-odd reports on specific pollution problems and on voluntary efforts to solve them.

Two of the reports, prepared by subcouncils, were on detergents and junk car disposal, and the Council's Commerce Department-assigned staff prepared a report on mercury for the Council's use. A summary:

- **Detergents.** The detergent industry has voluntarily reduced its annual phosphate consumption by 100 million pounds and by 1972 plans to cut consumption another 541 million. Every major manufacturer is formulating a non-phosphate laundry product. The subcouncil, cautioning against action that would mislead the public, notes the need for thorough research on phosphate replacements, and warns that without it there could be "an ecological disaster."

While the industry is looking for a way to eliminate 100 per cent of the phosphates, it also is working with suppliers and public and private sanitary engineers toward development of improved sewage treatment. Meantime, there's another unsolved problem—the housewife who may use more of the newer detergents than needed, "putting approximately the same amount of phosphate into the environment as she does

now—only at a higher cost to herself."

- **Junk Car Disposal.** The 20 million junk vehicles now in existence, primarily a source of visual pollution, are valuable to the 15,000 companies involved in selling spare parts, but the scrap metal is a "negligible source of income." The report shows this distribution of the hulks: 73 per cent in wrecking yards; 6 per cent at scrap processors; 3 per cent in auto graveyards; 18 per cent abandoned.

Contending the scrap industry can solve the disposal problem itself, the report cites three assists needed from government: expediting of de-titling, encouragement of zoning and shielding regulations and adoption of penalties for car abandonment. The conclusions and recommendations are substantially the same as those arrived at by the President's Council on Environmental Quality.

- **Mercury.** Dramatic industry efforts are pointed up by the reduction of discharge of mercury compounds—from 287 pounds to 40 pounds per day in a one-month period last summer. Industry research is now aimed at eliminating mercury from all waste discharges. Specific targets include pollution caused by "seemingly insignificant sources," and development of low-cost instruments to measure trace quantities of pollutants quickly and reliably.



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## Industry Leaders Hunt: Practical Answers to Pollution *continued*

Perhaps a classic revelation of the head knocking atmosphere of the peer pressure system was given by a sub-council member on the way to the airport. Said he, "That was one helluva meeting!" Then he laughed and added, "You know I was ready to fire half of those guys around the table . . . until I suddenly remembered they didn't work for me!"

Most subcouncil meetings and all full Council meetings are held in Washington. When the NIPCC gathers there is an impact on the aircraft parking situation. A Federal Aviation Administration official says he knows when there is a session because "it seems like half the jets in the country's business aircraft fleet are on the ramp at National Airport."

In mid-October, representatives of consumer and environmental groups asked permission to attend the meetings. As an alternative, they demanded that full transcripts of the sessions be made available.

To accede to either request, Mr. Hamilton contends, would impair the frank working atmosphere established for the Council. Summary minutes are available to the public at the cost of reproduction.

In addition, the Council is taking positive steps to let the public know how business is battling pollution. One is development of a bank of information on individual companies' antipollution efforts. From it can be extracted data on any of the 30 industries, as well as breakdowns by geography and by specific types of pollution. This information will be offered to the nation's media.

### Slow but sure

Environmental groups are not the only ones who worry about the way the Council works. In the lower echelons of corporations and trade associations there has been some concern about the Council becoming a rubber stamp for the Administration, and its being stampeded into action that could have serious long-term effects.

And some, as they have seen the Council moving past generalities, have muttered that their bosses might be making decisions on problems on which they aren't adequately prepared.

Much of this type of criticism began disappearing as the subcouncils moved along with their studies. Increasingly they are asking for inputs from associations and experts in their particular industries.

Administration sources indicate the Council has until the end of 1971 to produce tangible recommendations. Prospects are good, they say, that it will meet the deadline.

However, a note of caution enters Council members' talk of the future. There is a feeling that there will be a noticeable reduction in all types of pollution by the year's end, but one adds:

"Obviously, pollution won't be abolished. The plans should be established by then, but many technical problems have to be solved."

The Council's pace is deliberately methodical. Says the same Council member:

"We are not going to get caught in any numbers game. From the outset there has been a clear realization that we couldn't catch up with some of the near hysteria that had been cooked up by some of the environmentalist groups."

And after all, antipollution standards adopted probably will have a tremendous impact on the structure of corporations and their ability to compete in the U. S. and the international marketplace.

Now, it's been pointed out, some businessmen feel so harassed that a number of them—mostly from smaller firms—even talk about moving out of this country and establishing plants abroad.

Initial sentiment of Council members favored controls at the state and local levels. But some now feel that consistency in standards and regulations would be better served by centering control in Washington.

Standard-setting by states, if uncoordinated, could produce conflicts between states and spark an exodus of industry and jobs from one to another.

### Guarding the small firms

There has been criticism of the Council makeup for not having more small business participation. Mr. Rockwell believes small business interests are being protected, and points out that subcouncils are consulting

with trade associations, which represent small businessmen as well as big companies. In the various subcouncil meetings, men such as General Motors' President Edward N. Cole have consistently counseled on the problems of the small businessman. Particular stress reportedly is being placed on the fact that expensive steps which big firms might take could drive smaller firms out of business.

To date, subcouncils have turned in reports on junk car disposal and detergents, and the Council's Commerce Department staff has turned one in on mercury. Some 40 more reports, in all, are expected to be completed by April.

And what if a subcouncil hasn't done a thorough job?

Mr. Rockwell replies, "If necessary I think the President or someone up the line would say to that subcouncil: 'You do have a problem and you'll have to deal with it.'"

Anyway, such a situation is considered unlikely because of the peer pressure system effect. "It would take a lot of guts to face your peers with a poor performance," one Council member says.

### Public understanding

The annual report the President will receive shortly is going to be some measure of the success of the effort to date. Acutely aware of public opinion, the Council members are hoping for understanding from the public.

Secretary Stans has summed it up: "If these efforts are to succeed, government at all levels—federal, state and local—and the public as well must cooperate by understanding and recognizing the practical problems industry must surmount."

"Pollution cleanup equipment has to be designed, ordered, built and installed. This process cannot be bypassed. Necessary changes must be made without impairing the ability of industry to produce needed goods and services and without employment disruption."

All of which is a big order, but one that was obviously coming—as indicated by a Council member's observation to a Commerce official: "If the President hadn't called this Council we would have had to call one ourselves." **END**





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1 ITEMS

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## Traveling the Recovery Road

Executives tend to see higher volume  
and profits ahead—  
but also higher labor costs

Business will improve during the next six months, with volume and profits expected to increase 5 to 10 per cent.

However, rising labor costs will continue to plague company development and prices inevitably will go higher.

This picture of an economy slowly pulling out of a downturn period emerges from the comments of 531 top American business executives.

The executives—chief operating officers, board chairmen, presidents, senior vice presidents and senior company economists—responded to a NATION'S BUSINESS outlook survey which asked a series of questions on the future course of individual companies, industries and the economy.

The picture they paint has varying brush strokes, of course. Individual comments differ widely—a number of executives, for example, disagree with the majority of their fellows and predict that interest rates will reverse course and rise again. And not every executive has answered every question.

A breakdown:

**Question 1:** "What do you believe will happen generally to the nation's economy in the next six months?"

Two hundred eighty executives say the recovery will continue, and 167 think business will hold level. Fifty-six see a downturn.

**Question 2:** "By what percentage do you expect sales or volume of your business to change in 1971 as compared with 1970?"

Nearly half the answers predict an improvement in the 5 to 10 per cent range. In addition, eight executives foresee a 2 per cent increase, 83 foresee a 10 per cent increase, 42 look

for a 15 per cent improvement, 81 look for a leveling off and 50 predict decreases.

**Question 3:** "By what percentage do you expect prices of your products or services to change in 1971 as compared with 1970?"

Here again the largest number see price increases in the 5 to 10 per cent range—112 specify 5 per cent increases, 35 executives look for 6 per cent increases and 38 look for 10 per cent boosts. One hundred fifteen see a leveling off and only 42 see decreasing prices.

**Question 4:** "By what percentage do you expect your profits to change in 1971 as compared with 1970?"

Four hundred twenty-eight see improved profits, or profits equal to last year's. Forty-one expect the rate of improvement to be 5 per cent, 53 expect it to be 10 per cent and 22 look for it to be 15 per cent. Twelve expect a whopping 50 per cent climb. Only 83 look for decreasing profits.

**Question 5:** "By what percentage do you expect your company's spending on capital improvements to change in 1971 as compared with 1970?"

Two hundred twenty-five expect a leveling off in spending and 130 see decreased spending. (Several say their firms laid out enough for capital improvements during 1969 and 1970 to take care of their added needs for months to come.) One hundred thirty-eight executives see increased spending at a rate ranging from 1 per cent to 100 per cent. Nine put the rate of increase at between 100 and 1,000 per cent.

**Question 6:** "By what percentage do you expect your labor costs, including fringe benefits, to increase in 1971?"

The steady yearly pattern of labor



"Continued gradual improvement" in the nation's economy is expected by R. R. Brina, senior vice president and treasurer, Bank of Commerce, New York. Five per cent growth in deposits is also anticipated.



Haw

Haw



Interest rates are expected to rise with a resurgence of over-all business in 1971-72, says A. J. Ashe, vice president, economics and planning, The B. F. Goodrich Co., Akron.



In uncertain conditions people are "more kindly disposed toward life insurance," says L. B. Stone, president, Phoenix Mutual Life Insurance Co., Hartford.

costs rising 5 to 10 per cent shows up again in the forecasts. Only three executives do not anticipate paying more for labor this year than last. Eighty-four see a 5 per cent increase, 52 put it at 6 per cent, 81 at 7 per cent, 80 at 8 per cent, 35 at 9 per cent and 81 at 10 per cent.

**Question 7:** "What are major factors affecting your business—for better or worse?"

Leading the procession of answers are inflation, tight money, general economic conditions, high labor costs, other labor problems, low construction activity, lack of consumer spending and consumer confidence, government regulations, fuel and raw materials shortages and reduction in defense procurement.

A supplemental question asking what will happen to interest rates produced a surprise.

Since the cost of borrowing money has been trending downward, it was anticipated that executives would see a continuation of the trend in the next five or six months. And indeed, most of them do.

But a significant number—88, representing 16½ per cent of executives taking part in the survey—see an upward movement. They include several bankers.

**Individual outlooks**

Let's turn now to outlooks from individual companies.

One executive who sees continued improvement in his own business ac-

companying a slow economic recovery for the country in general is J. W. Marriott Jr., president of Marriott Corp., of Washington, operator of restaurants, hotels and motels.

Marriott business is due to go up 15 per cent this year, its prices up 6 per cent, its profits up 15 per cent. As for capital expenditures, Mr. Marriott notes on his survey questionnaire that "they were at an all-time high in 1970 and will continue at about that level in 1971."

Expectations that interest rates will continue to drop and home construction will pick up substantially come from R. B. Pamplin, chairman and chief executive officer, Georgia-Pacific Corp., the Portland, Oregon, firm dealing in plywood, paper, pulp,



## Traveling the Recovery Road *continued*

chemicals, wood products, gypsum, coal and natural gas.

Mr. Pamplin says, however, that his company will trim back by 40 per cent on capital improvement spending since it has put unusually large sums into improvements in recent years.

Harry B. Henshel, president, Bulova Watch Co., Inc., New York, says his company will increase spending on capital improvements by 10 per cent and he looks for 5 per cent price markups.

James S. Kemper Jr., president, Kemper Insurance Group, Chicago, looks for a 5 to 10 per cent improvement in profits, and adds that "1969 was a disaster year for property and liability companies; 1970 will be better for us but worse for the industry as a whole; 1971 improvement is based on a 'low base' against which to compare, and even a 10 per cent profit improvement would be less than satisfactory."

Mr. Kemper believes further that interest rates will drop somewhat during early 1971, "then head back up." The same, he says, applies to the rate of inflation.

No increase in prices is anticipated by C. O. Peterson, budget and planning director, Rock of Ages Corp., Barre, Vt., granite quarrier. Instead, the company anticipates cost reductions and the possibility that increased volume will sustain profitability.

M. B. Thompson, chairman, George A. Hormel & Co., nationwide meat packer of Austin, Minn., says his business will increase by a solid 5 per cent due to "continued growth in sales distribution and increase in livestock supply."

John L. Kemmerer Jr., chairman, The Kemmerer Coal Co., New York: His business will step up 20 per cent because he plans "to supply new power plant coming on stream in '71."

Robert W. Hartwell, controller and executive vice president for finance, Detroit Edison: Company business will improve by 7 per cent due to "increased electricity use by existing customers, plus addition of an estimated 28,000 new customers."

Richard A. Smith, president, General Cinema Corp., Boston, operator of theaters: A solid 15 per cent im-

provement in business due to "new units opening, plus a strong second half of '71 as the economy generally resumes its expansion."

R. L. Galloway, president, Mammoth Division of Lear Siegler, Inc., Minneapolis, manufacturers of air conditioners: A 32 per cent business step-up due to increased penetration of the market, new products and aggressive marketing.

Robert C. Williams, vice president for administration, Ex-Cell-O Corp., Detroit, expects prices of his company products to increase by 10 per cent due to rising costs of labor and material.

### Slow turn from a slowdown

Key words in answering the question on what will happen to the nation's economy are "slow," "moderate," "slight," "modest," "gradual." Few look for a fast upturn.

Robert C. Cosgrove, chairman, Green Giant Co., the large food processors in Minneapolis, says the economy will "trend slowly upward." His own company's business, he adds, will climb by 15 per cent after recent acquisitions and introduction of new products. He feels that "ill-advised consumer legislation" hurts companies and consumers.

F. L. Bissinger, president, Allied Chemical Corp., New York, anticipates a "mild uptrend" in the economy, stemming in part from the end of the GM strike and an easier monetary policy.

Keith R. Potter, vice president of finance, International Harvester Co., Chicago, says a slow upturn in the first quarter will accelerate as the year goes on, with each quarter being better than the preceding one. But, he adds, inflation rates will increase accordingly.

Robert Stuart, chairman and chief executive officer, National Can Corp., also of Chicago, expects "a gradual strengthening" of the economy with "slowness of rebound due to labor difficulties and a lack of mobility resulting from the 1970 business pinch." Minus factors affecting National Can include a "rigid labor position and ecology issues." A plus factor is new technology.

W. M. Batten, chairman, J. C. Penney Co., Inc., New York, foresees

a brief continuation of present sluggishness, with a gradual upturn starting in the spring.

A "slight improvement" in the general economy, an 8 per cent increase in his company's business volume, a 6 per cent rise in its prices, a 10 per cent hike in its profits and a holding steady of its spending for capital improvements are all foreseen by Donald J. Cannan, president, California-Pacific Utilities Co., San Francisco.

Donovan R. Beachley, chairman, Beachley Furniture Co., Inc., Hagerstown, Md., sees this picture: "Very little change, even possibly a small improvement" in the economy—and a reduction in defense orders, caution on the part of the public and competition blocking increases in his company's sales.

John L. Roper II, president and chief executive officer, Norfolk Shipbuilding & Drydock Corp., of Norfolk, Va., expects over-all slow improvement in the economy, a modest increase in his firm's prices and a 4 to 5 per cent increase in labor costs. His industry is in a period of drastically reduced Navy spending for vessels, although it will be helped greatly by a 300-vessel commercial ship construction program approved by Congress.

Commenting somewhat along the same lines is Thomas L. Phillips, president, Raytheon Co., world-wide electronics firm operating out of Lexington, Mass., who says two factors affecting his business for the worse are defense slowdowns and investment uneasiness.

Belief that the economy is in an upward trend is by no means shared throughout American business. Rodney C. Gott, chairman, American Machine & Foundry, Inc., New York, maker of leisure time and industrial products, says that if there is "any recovery, it will be slow and hard to identify." He looks for a 5 per cent improvement in his firm's sales and an 8 per cent improvement in profits.

Edward B. Rust, president, State Farm Insurance Cos., Bloomington, Ill., foresees "some gradual improvement" in the general economy.

Charles J. Zimmerman, chairman, Connecticut Mutual Life Insurance Co., Hartford, sees "slow gradual improvement at a rate of 4 per cent real



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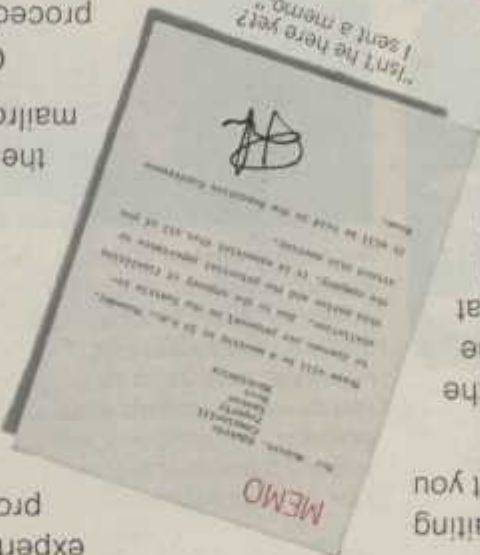
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*Hayes*



*"Elimination of the fashion confusion of 1970" (the midi vs. the mini) will be of great help to Bergdorf Goodman, the New York specialty shop, says Andrew Goodman, president.*



*Increasing cost of labor, energy, freight and supplies adversely affect International Salt Co., Clarks Summit, Pa. However, says John H. Hayes, vice president and treasurer, the company will spend 10 per cent more this year for improvements.*

growth, with some lessening of the rate of inflation." His business volume—up 12 per cent. Prices—remain the same due to increase in investment earnings offsetting increases in operating expenses. Profits—up 5 per cent due to higher investment earnings. Company spending for capital improvements—up 20 per cent with two additions to headquarters and the starting of a third addition. Labor costs—up 9 per cent. Major factors affecting the business—"favorable investment climate and increased sales manpower vs. inflation and unemployment."

Bennett Archambault, chairman and president, Stewart-Warner Corp., Chicago: "No substantial change" in the nation's economy. His business volume—up 5 to 10 per cent. Prices—up 4 to 5 per cent. Profits—up 25 to 30 per cent. Company spending on capital improvements—remain the same. Labor costs—up 6 to 7 per cent. Major adverse factors affecting the business: The slowdown, reduc-

tions in defense procurement programs and rising costs. Major favorable factors: New products, products upon which depressed general conditions have minimum effect, and aggressive marketing programs.

## From the world of finance

And finally, the comments of these experts on finance:

Carl K. Dellmuth, president, The Fidelity Bank, Philadelphia, predicts a slow recovery, decrease in average lending rates, slight increase in profits, 10 per cent increase in total employment costs. Major factors affecting his bank, he says, are Federal Reserve policy, demand for bank credit and interest rates.

H. Frederick Hagemann Jr., chairman and chief executive officer, State Street Bank & Trust Co., Boston, sees a possible decline in the economy and predicts interest rates will decrease in the year's first half and move up in the second half. A better hold on expenses may result in a

slight improvement in his bank's profits, he says, and he adds that the bank will boost spending on capital improvements 20 per cent. He feels, too, that the over-all business slowdown has eased demand for credit.

John J. Sullivan, president, Bosworth, Sullivan & Co., Inc., investment bankers and brokers of Denver, says the economy will pick up barring "embarrassing international involvements." His business will perk up by 20 per cent, he adds, and its profits will rise 10 per cent.

Allen P. Stults, chairman, American National Bank & Trust Co., Chicago, writes:

"We expect the economy to move forward over the next six months—but at a somewhat deceiving rate, as business will appear better than it really is due to the end of the General Motors strike and the hedge-buying of steel in anticipation of their contract expiration. The consumer is expected to spend more, though at a moderately increasing rate." **END**





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# Konosuke Matsushita of Matsushita Electric

## From brazier's apprentice to billionaire

In Tokyo, you say, "*Ohayo gozaimasu*"—Good morning.

But not in Osaka.

When the thrifty citizens of that great city greet each other, they say: "*Mo ukarimakka.*"

That means: Are you making any money?

In Osaka, it's said, business comes first. Osaka people are known as keen businessmen, careful with their money, who drive fair but hard bargains.

Their city has been a great mercantile center for 500 years. At the mouth of the Yodo River, which empties into Osaka Bay, it sits at the crossroads of its nation's commerce.

This was the city where Konosuke Matsushita, age nine, stepped off a train in 1903 to begin what must be one of the great business success stories of all time.

Even then, Osaka was one of the world's biggest cities, with a population of some three million.

But it was a sprawling metropolis, mostly one- and two-story houses and shops. Its narrow, bustling streets were wide enough only for horse-drawn carts and rickshaws.

After dusk, only the clatter of wooden clogs broke the silence of the city and only the paper lanterns of passersby illumined it.

Young Matsushita arrived in Osaka with few assets.

He was almost penniless. He had only a few years' schooling. His parents were poor and without influence. He had come to take a job as an apprentice boy in a small shop, and his pay was a pittance.

Later, as an employee of the Osaka Electric Co., he entered one of the mansions of the wealthy to wire it.

"The rubbish cupboard," he recalls, "was a palace compared to the house where I lived."

The experience filled him with ambition, not envy.

When he was in his 20s, he founded Matsushita Electric Industrial Co.

Ltd., the GE of Japan, with annual sales now in the \$2 billion range. Its products are sold mostly in Japan, but one of its trademarks, Panasonic, is well known in this country.

In 1961, at the age of 66, Mr. Matsushita became board chairman, and was succeeded as president of the company by his son-in-law, and adopted son, Masaharu Matsushita. (Adoptions aimed at preserving the family fortune are common in Japan.)

Here, in an interview with NATION'S BUSINESS, Konosuke Matsushita tells the story of his rise from apprentice boy to billionaire.

### What was your first job?

When I was nine years old, I was apprenticed to a charcoal brazier's shop in Osaka.

My assignments were to polish braziers, to scrub and dust, to take care of the shopkeeper's child and to go on errands.

I received my board and lodging and also a stipend of 10 sen a



# Konosuke Matsushita of Matsushita Electric *continued*

month. That's five cents American.

*Why did you go to work at such an early age?*

My father, once a prosperous landowner in my native village of Sendanoki, went into business and failed.

I was the only boy in the family. Two older brothers had died of the flu. I left school and began working to help support my mother and sisters.

*How long were you a brazier's apprentice?*

Only a few months.

The proprietor gave up the business. But he found a job for me with a friend who had a bicycle shop in the Senba district of Osaka.

*Did you like this better?*

Yes, although it was hard work—from dawn to long after sunset.

But I was learning a new trade.

The bicycle, an import from England, was then a modern fad. We repaired and sold them. I worked there till I was 16.

*Didn't you have some kind of a sideline?*

Well, I was asked to run errands a lot for customers, including trips to the tobacco shop for cigarettes.

So I hit on the idea of buying a 20-pack carton, at a discount, and reselling the cigarettes at the regular retail price. I saved some time and made some money.

*What did you do next?*

I heard the Osaka Electric Co. was hiring.

The first electric streetcar line had just been completed in Osaka. I felt that the future of this enterprise was enormous. I went there on field work in 1910, stringing new lines and doing repair jobs.

My former employer offered to match my wages, if I'd stay with him.

But he consented to my leaving when I told him of my strong desire to try something new.

In a few months, I was promoted to foreman. It was invaluable experience.

I learned to manage people—and make decisions quickly.



*His hard climb to success over, Konosuke Matsushita has time to enjoy the rewards in one of his elegant homes.*

*Konosuke Matsushita*

*When did you go into business for yourself?*

In 1917, when I was 22 years old.

I quit Osaka Electric Co. to make an electrical attachment plug of my own design. My entire capital was 200 yen—about \$100 then.

I had severance pay of 33 yen, compulsory company savings of 42 yen and about 20 yen in private savings. That's roughly 100 yen. I borrowed another 100 then.

*Can you tell us about the early days of your business?*

My wife and I lived in a rented house with two tiny rooms—one of about 7½ square meters, the other about 3½. The rent was three yen a month.

We turned the larger room into a shop.

I didn't even know how to make the ingredient mixture for the socket. I guessed that it was some kind of asphalt mixed with asbestos dust. Manufacturers kept it a closely

guarded secret. But we did find out. My brother-in-law, Toshio Iue, mixed the ingredients and heated them in an iron tub, while I stamped them into a mold.

By the next year, when Matsushita Electric was formally founded, we had to rent larger quarters.

*Where did you move to?*

To a bigger two-story house that rented for 16.5 yen a month. I converted three rooms on the first floor into a workshop. I had only two presses for equipment.

My wife, my brother-in-law and I made stand bases for electric fans as well as plugs. The plugs were of high quality and priced 30 per cent below others on the market. So they sold in quantity.

Then we came out with an improved two-receptacle plug priced 30 to 50 per cent lower than those of our competitors.

I went to wholesalers in Tokyo and sold them there, too.



By the end of 1918, I was producing 5,000 plugs a month and had 20 employees.

*What was your first really big sale?*

It was a cannonball type battery bicycle lamp I devised in 1923.

Up until then, batteries were unreliable and lasted only three or four hours. Our lamp had a battery that lasted 30 hours.

We were sure it would sell, since it was attractive looking and long-lasting. So we placed orders with subcontractors for thousands of casings and batteries a month—which we would assemble.

Much to our surprise, the lamps didn't sell at all.

The public and the merchants distrusted dry-cell batteries.

I had to find a way to overcome this. The parts we ordered were piling up on us.

So were the bills.

Finally, I found the answer. We went to bicycle shops and told the owner we would leave three lamps with him—on consignment. Furthermore, we said we'd give him one of them if he would keep it lit and make a record of how long it burned.

This worked well. Shopkeepers found that the lamps were good for 30 hours.

So they recommended them with enthusiasm to their customers.

Within two months, our inventory was cleaned out, and we began filling repeat orders. We advertised a lot and soon we were selling 5,000 to 6,000 a month.

*How long before Matsushita Electric was solidly established?*

In my opinion, it was in 1932.

Three years earlier, our sale of bicycle lamps hit 150,000 a month or 1.8 million a year.

The more we sold, the more we cut the price.

Our big seller, the National lamp, came out retailing at 1.5 yen. We finally cut it down to about half that.

*How did you mark the company's coming of age?*

I delivered a message to our employees to share with them our mission as industrialists.

"The objective of production," I

said, "is to supply daily necessities in abundance for a better and more affluent life. My ideal in business is nothing but this. Matsushita Electric considers it to be its ultimate objective to fulfill this mission and is firmly determined to make the utmost efforts for its realization."

"You are requested to duly understand the mission and fulfill your duty."

*What led you to that conclusion?*

One hot summer day in 1932, I watched a vagrant drinking tap water outside somebody's house and noticed no one complained about it.

Even though the water was processed and distributed, it was so cheap that it didn't matter. I began to think about abundance and I decided that the mission of the industrialist is to fill the world with products and bring better living to the people of the world.

*When did you get into the manufacture of radio sets?*

We began to produce them in 1930.

By then, our products had a high reputation for quality. Unfortunately, our first radios drew a lot of complaints. We soon found out the trouble.

Before we entered the field, radios were sold only through radio stores. We broadened the market by selling through hardware shops as well.

Often, a new radio would need a minor repair—maybe a loose nut that required tightening or a wire that was disconnected.

Hardware store clerks didn't know how to fix them.

We went to work to make a trouble-free radio. It took us three months, but we finally assembled a three-tube set that, we felt, was the best on the market.

It won the first prize in a contest sponsored by the Japan Broadcasting Corp. That redeemed our reputation and filled our employees with confidence.

Our sets sold briskly, even at a price 10 per cent higher than our competitors'. Complete quality control in mass production brought the company into first place in the industry four years after we entered it.

*In 1933, the company was divided*

*into three main product groups—radios, storage batteries and lamps and electric fixtures. Why?*

This was to introduce the divisional management system.

I made each division stand on its own feet from development of product and production to sales and collection.

The aim was twofold:

1. To evaluate performance and achievement of each division clearly.
2. To develop capable managers by letting them manage business by themselves.

The early introduction of divisional management fostered many capable managers in the company.

*What was the company's sales volume in the 1930s?*

In 1936, it was 16.2 million yen [then about \$4.7 million]. Our major products included radios, phonographs, batteries, lamps, motors, bed warmers, electric cooking heaters, flatirons, fans, stoves and other electrical appliances.

Of course, during the early 1940s, all large Japanese industrial firms were harnessed to the war effort.

*What was the company's condition at the end of World War II?*

During the war, 32 of our factories, sales offices and dormitories suffered damage and loss, chiefly in Osaka and Tokyo. But fortunately, the major factories and the head office were unharmed.

*What did you do when the war ended?*

On Aug. 16, the day after surrender, I called executives to the head office and told them to immediately begin production of home appliances to serve the people in their quest to rebuild the nation. By the end of October, all factories were ready for production, and by the end of the year, 15,000 employees were at work.

*Weren't Matsushita employees instrumental in getting you removed from the Allied Occupation's list of businessmen "purged" because of their participation in the war effort?*

I don't know how I came to be removed from the list. But here's what



## Konosuke Matsushita of Matsushita Electric *continued*

happened. In November, 1946, I and other top executives were listed to be purged from business.

Since the purge applied to all directors of all munitions factories in Japan, I was resigned to my lot.

But news of the purge prompted the company's employees, agents and people of affiliated companies to petition the Cabinet and Allied headquarters to lift it. The initiative was taken by members of the labor union.

At that time, most labor unions were trying to put their top management on the purge list—not get them off it. They said management had been undemocratic during the war.

I was told that what our labor union did made a deep impression. I do not know how it worked. But the fact is that by May, 1947, I was removed from the purge list completely.

*Matsushita's sales rose from \$17 million in 1951 to \$486 million in 1961. What were the reasons for this growth?*

Since the very founding of the company, I have followed a very plain policy of business: To provide the customers with inexpensive products and good service.

This rule, as well as our enthusiasm, is the secret of our success, in my opinion.

*How big is Matsushita Electric now?*

We have about 57,000 employees. The annual sales total for 1969 was \$1.679 billion.

Our taxable income of \$244.3 million was the highest among all companies in Japan.

*You often stress employee morale. How do you keep morale high?*

Employee morale makes a great difference to productivity. Therefore, morale must be the first thing for management to consider.

To keep it high, the most fundamental thing is that the company be managed with a lofty sense of mission.

And we must give employees some concrete corporate objectives which are timely.

In addition, we always try to incorporate the employees' creative

ideas and opinions into the management process.

This can be termed as "corporate management by all."

All these, hand in hand, seem to work for us.

*What is the most serious business crisis you have faced? And how did you surmount it?*

In 1929, Matsushita Electric was not free from the influences of the worst depression that ever gripped Japan. All our warehouses were full. It looked like the only way out was to cut production and the payroll in half.

But then I thought that it would shake my conviction about business management if I had to discharge employees, when Matsushita Electric had to grow more and more.

So I reached the following decision: "Production must be halved immediately. But I will never discharge a single worker." We went

into half-day production, but full wages were paid to all workers.

All employees, including production people, went out to sell inventory. I asked the sales people to give up their holidays and work even harder.

After about two months, our inventory was sold, and we resumed full production.

*What was the best decision you ever made?*

Not to discharge employees during that crisis in 1929.

*What was your worst decision?*

I cannot think of any seriously bad decision in my business life—though others could probably point out some.

*You have the reputation of being a great judge of men. How do you pick them?*

As a matter of fact, it is extremely difficult to judge men. In my opinion,



*At his villa in Kyoto, ancient capital of Japan, industrialist Matsushita feeds carp in a pond.*

*Har*



only 60 per cent can be understood about a man.

If I become confident of 60 per cent of their capability, I let them do as they wish and see what they will come up with. Fortunately, this system has resulted in relatively few mistakes.

*One of your maxims is, "Ordinary people can be trained and developed to do extraordinary work." Can you elaborate on that?*

It is very hard for anybody to achieve anything without constant and conscious effort. But the important thing is that everyone has a unique, natural gift. We must make every effort to develop the gift. Sometimes this is easier to do than at other times.

Let me elaborate with a personal example.

Even with a gift for electrical and electronics work, that alone would not have brought me success. Fortunately, when I got into business, the age of electricity was just dawning.

I was blessed with good timing.

*What are your favorite hobbies?*

None, in particular. When I was young, I enjoyed go—Japanese checkers—and chess. I tried golf, too, for a while.

But my work has been my hobby.

*What has given you the greatest satisfaction in life?*

When I have devoted myself fully to a job, or have done my best after a day's work.

I remember quite clearly the days when I labored with four or five employees in our small workshop. I felt an immense happiness when I was taking a hot Japanese bath after working late in real sweat.

"I have done a very good job today," are the words which welled up in my mind.

END

**REPRINTS** of "Lessons of Leadership: Part LXVIII—Konosuke Matsushita of Matsushita Electric" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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## More Consumer Action by the FTC

That, says  
Miles Kirkpatrick, new  
chairman of the  
Federal Trade  
Commission, is what  
is needed—and what  
he intends to set  
in motion



PHOTO: GREGG TAYLOR

*"I think there is plenty of room for more vigorous enforcement."*

Miles W. Kirkpatrick once said the Federal Trade Commission should be abolished if it fails to do its job.

Since September, he has been chairman of the FTC—and has been working to see that it is not abolished.

Mr. Kirkpatrick, a lawyer, was chairman of a special American Bar Association commission which studied the FTC and, in September, 1969, recommended sweeping changes in its methods.

When President Nixon promoted Caspar W. Weinberger—whose appointment to the FTC and its chairmanship came in the wake of the ABA group report—as deputy di-

rector of the Office of Management and Budget, he chose Mr. Kirkpatrick as Mr. Weinberger's successor.

In his first months in office, the 52-year-old Philadelphian has moved ahead on a pledge to initiate more cases involving big business.

It isn't that he is hostile to big business, he says, but that he wishes the FTC to take a more active role in consumer complaints—because a big company's activities involve more consumers than do those of a smaller firm.

In this interview with a *NATION'S BUSINESS* editor, the FTC chairman



gives some insight into his thinking:

**Mr. Kirkpatrick, do you still feel the Commission should be abolished if it does not properly perform its jobs?**

Yes. Changed or abolished.

**Will you comment on published statements that you would like to see more cases involving big companies and industries rather than smaller ones?**

I don't want to appear to be attacking big business, but it seems to me we have more leverage, touch more consumers, when we are involved with the larger concerns.

I am not suggesting there would be any immunity for small businessmen. When they violate a law, we are equally interested. But, generally speaking, the larger the concern that we have before us, the more consumers are affected.

**The ABA group which you headed issued a blistering report on the Federal Trade Commission. Have you, or your predecessor, Mr. Weinberger, been able to correct any of these shortcomings?**

I think we are put together now in a much better shape to meet some of these shortcomings, yes.

Among other things, my predecessor closed a great number of stale cases. There was what was known as the garbage committee to close cases that either were too trivial or too stale or for some other reason shouldn't have been on the dockets. That's been done.

The Commission's internal structure and processes have undergone very considerable realignment.

**Are you looking to Congress to give you more laws to strengthen the FTC's enforcement position?**

Yes. We are very anxious to receive, among other things, the right, for example, to bring temporary injunction actions before the courts, particularly in consumer protection matters. I think this is clearly a remedy that a major agency on con-

sumer protection matters should have.

A cease and desist order may be effective in some cases. But in many instances, such as in the area of consumer protection, it does not have the clout of a court injunction, where individuals who are in contempt of the order can be punished—possibly with jail sentences.

I would also like to see us enforce our own orders and seek penalties for violation of them.

**Where do you stand on class action suits?**

I suppose you mean consumer action suits. I think I stand among what you might call a puzzled majority.

Consumers unquestionably are in need of an adequate, fast, inexpensive remedy. But I am apprehensive that the unregulated right to bring class actions may not be such a splendid remedy as many think it would be. I really haven't completely made up my mind.

The class action is kind of a clientless lawsuit, one that our courts may not be able to cope with very well. I'm not sure that in the long run it is the best remedy that can be devised.

**How else could you achieve the desired results?**

I am doing some thinking, along with a great many others, as to what substitutes might be possible. For example, whether or not arbitration on a state level might not be a more expeditious, cheaper and more acceptable remedy under all circumstances.

**The Commission recently decided to allow consumer groups to intervene on behalf of the public in agency proceedings against businesses. Was this setting a precedent?**

In actual fact, our opinion itself is at pains to indicate that it is not intended to be a precedent in the legal sense. It is a delicate and experiment-

al... I think the word is a "step" to take in the circumstances.

There are two conflicting policies.

There is the policy which would seek the views of responsible groups of people to the extent that they are relevant to the proceeding.

You also have the conflicting policy of trying to reach some orderly, expeditious determination of the matter before us.

**Is there a danger that you are opening the floodgates for every conceivable type of consumer group to enter every kind of consumer case?**

Obviously, if we let dozens and dozens in, we would bog ourselves down. And it would be almost self-defeating.

**Would you comment on statements that have been made that the consumer is being overindulged with protection?**

I disagree. The consumer is not at this moment being overindulged.

**The Commission has announced plans to investigate possible overconcentration in such industries as cereal, steel, electric equipment manufacturing, pharmaceuticals and automobiles. Why were these particular industries singled out?**

These subjects for study were announced by former Chairman Weinberger. I don't know what considerations entered into their selection.

There may be other industries, of course, that would be equally appropriate for concentrated studies. I am sure that the selection of these wasn't to be considered as prejudgment of what constitutes concentration or overconcentration or underconcentration. They happen to be very basic industries that touch consumers very broadly and deeply.

**How are the studies progressing?**

One is almost completed. The others are simply on the drawing boards at this point. They are big



## More Consumer Action by the FTC *continued*



*"I think the consumer needs a great deal done on his behalf. I thought that before and I think that now."*

jobs; it takes a lot of manpower. We are on a limited budget.

Some well-known consumer advocates say industry concentration is costing consumers billions in inflated prices. Is that so?

Well, I've really no comment on that. I suppose that is one purpose in conducting the studies. And I would not want to prejudge that kind of question before we had the finest kind of input by way of economic data and economic advice from our people on it.

How about business mergers which come under FTC jurisdiction? Do you feel the Commission is being overshadowed by the Justice Department's vigorous investigations in this field?

The Department of Justice is doing a good job. I don't think we are being overshadowed. I think we have our own program and our own cases.

Your general counsel, Joseph Morton, says the gap between promotional promise and performance in advertising is immense and growing. Could you comment?

I don't know what Joe had particularly in mind, but it seems to me that one only has to turn on the television set or look at the papers from time to time to see the glowing promises, and then to buy the products and see the performance.

Unquestionably, there is a great deal more promise in the marketplace than performance, though that is not universally true by any means.

Do you think the role the federal government is playing in advertising is adequate? Would you like to be able to get a little tougher?

I would like to have a budget five times—maybe 10 times—what we have. I think there is plenty of room for more vigorous enforcement.

Do you foresee the day when there will be some kind of government-sponsored evaluation of products? Take automobiles, for example.

That is already part of the Consumer Protection Act of 1970. The Presidential executive order has now, in effect, directed collection of broad information from a great many government agencies to be centralized in the General Services Administration and ultimately to be made available to the consumer public.

Then GSA will actually evaluate automobiles?

Yes, they will evaluate information which they develop on their own, as well as information obtained from other agencies, with a view to publishing what seems worthwhile.

What will they specifically be looking for?

Safety as well as performance. As a result of its enormous purchasing activities, GSA has a great wealth of information on performance and on safety and health as well.

Will this information be useful to the general buying public?

I think a lot of it is going to be in such technical and detailed form as to be perhaps not too useful to the public. But I don't know that to be the case.

The Commission has been hiring consumer protection specialists. What do they do and how many have you employed?

These people are nonlawyers. We have hired about 128 so far. They are assigned to field offices to handle consumer complaints, make consumer investigations and act as advisers. They are our eyes and ears in the field with respect to consumer protection.

How do these specialists function?

They function on the telephone, they function on the street, they function by reading the newspapers, by watching television, by going out to retail and wholesale establishments.

They will investigate to make sure dangerously inflammable textiles don't get on the market. They will make truth-in-lending investigations. From time to time they will conduct local seminars for interested groups.

Are you for increasing the state government role in consumer matters?

Very much so. I don't think the Federal Trade Commission can transform itself into a giant law office for the prosecution of consumer complaints.

Our function in the area of local consumer protection is to advise and to guide and to experiment and to cajole and to interest local and state governments in taking action.

Do you feel most states have adequate laws in this respect?

Some do. I think some 30 have, in one way or another, a counterpart of that section of the FTC laws dealing with fraud. Some states are quite vigorous in their enforcement. New York, for one. But the record is very uneven.

Mr. Chairman, do you plan to meet with businessmen during your tenure in office to discuss all these matters for which you are responsible? In other words, try to keep a good line of communication open?

I conceive it as part of my job to meet with businessmen for discussions of this kind, and to meet with consumer groups and other people who are interested in reaching solutions to the very real problems that exist.

Have you gotten any heat from the business community for some of the things you have been doing or saying?

No. I don't expect we have made anybody happy, though.

Has your service so far on the FTC changed your opinion about the degree of consumer protection that is needed?

I think the consumer needs a great deal done on his behalf. I thought that before and I think that now. **END**



# Great Moments & Great Men of American Business

BY STERLING G. SLAPPEY

Senior Editor

Marcellus Berry. Who was he?  
Or Edgar Queeny? Cyrus K. Holliday? Orville S. Caesar?

What about William Littlewood, George Henry Alexander Clowes, Paul V. Galvin, Wallace E. Pratt, Rudolph Kunett, Morgan Bulkeley, Norman W. Wilson?

Possibly you have never heard of some of them. But they are among the very great men of American business.

They form a major part of the cast for NATION'S BUSINESS' second special section on "Great Moments and Great Men of American Business."

On the following pages are stories about how these men—some of them now almost forgotten outside their companies—transformed struggling enterprises into the finely tuned firms they are today.

Along with these stories are accounts of how other, better-known men helped to make their companies great. Innovators all, their talents have included exceptional ability in science, or selling, or manufacturing or management—frequently in combination.

Altogether there are 25 articles, each dealing with one of the best-known companies in America. The authors are presidents, chairmen or senior vice presidents of those very companies. Theirs are authentic voices on how, when and why their firms went on to greatness.

Besides the little-knowns there are articles about these famous executives: Elisha Graves Otis of Otis Elevator Co.; George Westinghouse of Westinghouse Electric Corp.; Joyce Hall of Hallmark Cards, Inc.; Willis Haviland Carrier of Carrier Corp.; R. S. Reynolds Sr., of Reynolds Metals Co.; Dr. Benjamin Franklin Goodrich of The B. F. Goodrich Co.; Amadeo Peter Giannini of Bank of America; Rowland Hussey Macy of R. H. Macy & Co.; the Weyerhaeusers of Weyerhaeuser Co.; Jay R. Monroe of the Monroe calculator company; William Russell Kelly of Kelly Services, Inc., and Charles Fleischmann of Fleischmann's yeast fame and Standard Brands Inc.

Two of the stories—from Republic Steel Corp. and The Sherwin-Williams Co.—tell about great moments

in terms of key decisions and new processes rather than in terms of individuals.

Who was this Marcellus Berry? Well, to him we largely owe the advantages and conveniences of the travelers cheque. He was an American Express man.

Edgar Queeny's middle name was Monsanto. His entirely humane reaction after the Monsanto Co. lost scores of men in the Texas City explosion in 1947 bound his chemical company together.

Cyrus Holliday built a city, helped develop a state, established a railroad—The Atchison, Topeka & Santa Fe.

Orville S. Caesar designed a bus which was nearly twice as good as anything else on the road. Greyhound was his company.

William Littlewood helped put wings on businessmen when he played a large part in developing the DC-3. His company: American Airlines.

George Clowes was a young chemist who recognized in insulin one of the great medications of all time. Eli Lilly and Co. provided him with the wherewithal to benefit mankind.

Paul V. Galvin, who like many others was an early failure, later became a brilliant man of the marketplace. He put radios in cars and today, Motorola, Inc., prospers.

Wallace E. Pratt said oil was under one piece of ground in Texas. Other geologists said it wasn't. Of 180 early Pratt wells, 175 hit black gold for Humble Oil & Refining Co.

Rudolph Kunett was a colorful Russian who held the rights to a very old vodka called Smirnoff. John G. Martin of Heublein, Inc., knew something good when he drank it. Heublein has had fantastic success in selling Smirnoff.

Morgan Bulkeley was a Mayor, Governor, Senator. And he was the making of Aetna Life & Casualty. He was first and best at doing many things in insurance.

Norman W. Wilson brought new ideas and new methods to the Hammermill Paper Co. One revolutionized the paper industry.

A goodly company of men from a group of good companies. Read on.



all  
 photos  
 returned to  
 Aetna  
 2/14/71

AETNA

## The "Crowbar" Governor Was a Man of Many Parts

ret'd

We tend to think of the Victorians as repressed and ourselves as liberated. Actually the Victorian Age was rich in people who would now seem larger than life.

Yet when we remember them, too often it is for their style rather than their substance and thus we see them only in caricature. We see Mark Twain's white suit and miss his stature in world literature.

Morgan Bulkeley, president of Aetna Life & Casualty from 1879 to 1922, is one of the men from that era who are remembered for the wrong reasons. This may be understandable: He had careers and interests enough to distinguish several men. As a result he sometimes is overlooked as the architect of Aetna's development as a multiple-line insurance organization.

Colorful episodes in his political career prevent full appreciation of his public service, too. He was mayor of Hartford, Conn., for eight years, had an excellent administrative record as Governor of Connecticut, and had a courageous record in the United States Senate.

Quite remarkably, for nearly half the time he served as chief executive of a growing insurance organization he concurrently occupied high elective office.

As might be understandable in a man possessed of so many energies, he also had a dauntless quality which accounts for a number of the many



PHOTO: KAPPA, OTTAWA

By Olcott D. Smith

Chairman and Chief Executive Officer  
 Aetna Life & Casualty

eventful moments in his long life. Two of the best known involve his service as Connecticut's "Crowbar" Governor.

In the last century, Connecticut's constitution stipulated that the Governor had to be elected by a majority rather than a plurality, and it was not uncommon for the election to be decided in the legislature. Mr. Bulkeley was elected to his 1889-91 term in this way.

The next election also was deadlocked, but this time so was the legislature.

Morgan Bulkeley, who had not sought re-election, was not a man who shrank from responsibility. Because the constitution also stipulated that the Governor serve until his successor was named, he felt obligated to

remain in office. This interpretation was not shared by the state comptroller, the official having charge over the Capitol building. He attempted to resolve the dispute by changing the lock on the door leading to the Governor's office.

Finding his passage blocked, lame duck Gov. Bulkeley called for a crowbar and forced the door!

The legislature remained deadlocked and he was compelled to serve a second term. It was a stormy one. Appropriations needed for essential state business were blocked.

Mr. Bulkeley again consulted the constitution and determined that he was charged with paying the state's bills, whether appropriations had been made or not. This time using finesse in place of a crowbar, he had Aetna advance money to the state, pledging his personal fortune as collateral. Through this extraordinary arrangement, \$300,000—about a tenth of the biennial budget in those days—was advanced.

It was in 1891, the year his turbulent and unsought second term as Governor began, that Mr. Bulkeley launched Aetna on the road to becoming a multiple-line insurance organization by adding accident insurance to the sales portfolio. Although he could not have foreseen the impact the multiple-line concept would have on his growing life company, this was the first and thus most important of several steps that led to Aetna Life &





*Morgan Gardner Bulkeley headed Aetna during an era of major expansion.*

Casualty becoming the nation's largest all-lines insurance organization.

Eight years later he added health insurance, starting in motion what was to become the nation's largest health insurance organization. In 1902 he led Aetna into the field of liability insurance and soon saw the need for automobile insurance.

To serve that new protection need, he organized Aetna Casualty and Surety in 1907—six years before Henry Ford's assembly line began turning out Tin Lizzies.

In 1913, he launched Aetna into the group insurance business, a field in which it is now the leading company in terms of premium income.

Today propriety would prevent a corporation president from simultaneously holding high elective office. That the question did not occur to Mr. Bulkeley is apparent. Yet he scrupulously observed the law, albeit somewhat creatively, and managed to reconcile in his mind both its letter and spirit.

This can be seen in his rescue of the Hartford YMCA's building fund. The

drive had fallen short of its goal. Back then a corporate charitable gift would have been considered at best an improper use of shareholder funds. Mr. Bulkeley managed to reconcile the letter of the law with the spirit of humanity by asking the board to vote a special salary increase for Aetna employees and instructing employees to give an amount equal to the increase to the YMCA.

Although his humane instincts at times stimulated his ingenuity, it was not at the expense of basic integrity. This can be seen in his selection as the first president of the National Baseball League. He was chosen because it was believed his character and courage would drive out the gamblers who were undermining the fledgling sport.

It may be as Senator that Mr. Bulkeley's dauntless character in public life can most clearly be seen. If so, it is because Theodore Roosevelt was a formidable adversary. He and TR disagreed on a number of issues, but the most notable of their differences was in the area of human rights. TR had issued a summary dis-

honorable discharge to all members of a Negro battalion.

Some of the troops were charged with "shooting up" Brownsville, Texas, in the course of a riot, and the innocent refused to testify against their comrades.

For a man who had fought to free the slaves as a member of the Union Army, this patent injustice was a command to charge into battle once again.

Morgan Bulkeley led the fight in the Senate that succeeded in modifying the order.

In 1906, his second year in the Senate, the devastating San Francisco earthquake and fire struck. There was a question whether the insurance business should risk insolvency by paying claims in full. The Hartford companies saw but one course. Speaking on behalf of all of them on the Senate floor, Sen. Bulkeley pledged that they would pay all property and life insurance claims in full.

While Mayor of Hartford, the man who weathered heated confrontations with TR had revealed himself as a man of compassion as well as courage. Hearing that a saloonkeeper had murdered his wife and killed himself, leaving six children, Mayor Bulkeley rushed to the scene. He comforted the orphans until morning, when the woman he had arranged to have care for them arrived.

Episodes like these, while illuminating Mr. Bulkeley's character, have also obscured his monumental contributions to the development of Aetna Life & Casualty.

Indeed, in 1879 when he became president there were some who feared he would "rattle around in the job." Despite those early misgivings, under his leadership Aetna expanded from a company selling only life insurance into an organization that by 1922, when he died in harness at 85, offered more different lines of insurance than any other company.

In appearance and manner, Mr. Bulkeley brings Oliver Wendell Holmes Jr. to mind, and also a passage Justice Holmes wrote:

"It is required of a man that he should share the passion and action of his time at peril of being judged not to have lived." **END**



## AMERICAN AIRLINES

# The Plane That Broke the Profit Barrier

One summer afternoon in 1935, C. R. Smith put through a call from American Airlines headquarters, then in Chicago, to Donald Douglas on the West Coast to place an order for a new airplane.

Mr. Smith, American's president at that time, was staking all the resources the company had or could borrow on a concept of an airplane. His shrewd daring paid off overnight.

In June, 1936, American became the first in the air with the now-legendary Douglas DC-3—acclaimed since as one of the greatest planes ever built and the one that put commercial aviation on a paying basis in this country.

The DC-3 became the standard for the world and confirmed U. S. manufacturing leadership. It lifted American to a position among the leaders in the airline industry.

Development of the DC-3 and our company's role in it offer striking parallels today as we await arrival of another new-generation airplane, the wide-bodied trijet Douglas DC-10 which, beginning in August, 1971, will become the core of our fleet. The similarities and differences capture much of the elemental history of the industry and the changing environment in which it operates.

retl



PHOTO: GEORGE JEROME STUDIO

By Donald J. Lloyd-Jones

Senior Vice President-Finance  
American Airlines

For all its unprecedented performance, the \$110,000 DC-3 was not radically new technologically, but rather a logical extension of the 14-passenger DC-2. The real breakthrough was economic.

Earlier planes simply could not carry enough passengers to operate profitably. So the late William Littlewood, American's vice president for engineering, worked out specifications for the new plane, and Douglas Aircraft engineers put them down on paper in terms of speed, weight, power, size and payload.

Essentially, they increased the size

of the DC-2's fuselage and wing span, gambling successfully that engine manufacturers would come up with the increased power to make it fly.

Bill Littlewood and a few assistants spent months at the Douglas plant at Santa Monica, Calif., where the plane first was flown in mid-December, 1935. In that simpler era, the Smith-Douglas phone conversation was confirmed by an exchange of telegrams; the contract was not signed until the first planes were delivered.

The DC-3's success lay in its ability to carry 21 passengers—50 per cent more than the DC-2—with little increase in operating costs, making it the first profitable airliner. Its reliability was important, too, in building a safety record that gained wide public acceptance of air travel.

Franklin W. Kolk, our vice president for development engineering and a long-time associate of Mr. Littlewood, synthesized the capabilities of a modern-day "universal" airplane about five years ago. These requirements went to the aircraft manufacturers, which in turn contacted other airlines to determine the potential market for the "Kolk machine."

Once begun, the process of evaluating the airline's total needs, including number of aircraft, customer





*It was a turning point for commercial aviation when American Airlines began nonstop service between New York and Chicago using DC-3s. The Flagship Illinois, first in service, was christened June 25, 1936, and those on hand for the ceremony included C. R. Smith, then president of American (he's the man in a straw hat closest to the propeller). Mr. Smith served as Secretary of Commerce in the Johnson Administration.*



*American Airlines helped develop the DC-3, which put commercial aviation on paying basis.*



*The DC-10, which is joining American's fleet, will carry 250 passengers. DC-3 capacity was 21.*

aspects, facility requirements and over-all economic impact, involved all elements of the airline. Prior to a firm commitment, thousands of man years were expended by the various disciplines of engineering, operations, marketing and finance in this evaluation—a far cry from Mr. Smith's personal approach to Mr. Douglas in 1935.

Out of this came the DC-10, a \$15 million airplane which American launched with a purchase of 25 aircraft and an option for 25 more. Excluding costs for spare parts, facilities, training and the like, this com-

mitment of \$375 million was greater than American's entire net worth.

The wide-bodied DC-10 will feature the quiet, luxurious flight experience associated with the wide-bodied Boeing 747. And it will offer that experience to many more cities than those served by the larger plane.

It will carry 250 passengers from New York's close-in LaGuardia Airport to Chicago, or the same number transcontinentally, providing both applications with the best over-all economic results. Because growth flexibility was specified in its design, long-range versions of the DC-10 will

be available if needed to serve our new Pacific routes. Moreover, by airline design and insistence, the DC-10 is an environmentally compatible aircraft. Like the 747, it will help relieve air traffic congestion by accommodating more passengers per flight. Its engines too will produce less noise and less smoke and invisible pollutants than earlier jet aircraft.

There is always a turning point in the affairs of a company. That point for American, dramatically and decisively, was introduction of the DC-3. We look to the DC-10 for progress of equal magnitude. **END**



# The city truck that saves time

The **LOADSTAR**<sup>®</sup> truck has been the leading city truck for a decade.

We can't blame others for wanting

a piece of the pie. That's why the competition recently came out with a new "city truck." It's not really a city truck





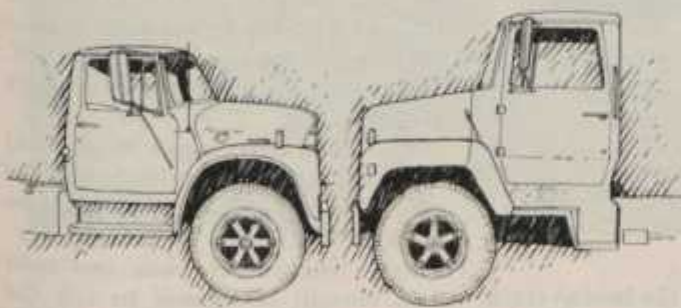
# is the one that saves you money.

though...it's the low end of a new line of highway trucks.

Loadstar is still the time saver. And the money saver. Here's why:

1. Your driver climbs one step up into a Loadstar...two steps up into the other city truck.

A highway driver gets in and out of the cab a couple of times a day. He doesn't mind a high cab. But a city driver is in and out thirty to seventy times a day. That extra step is a giant

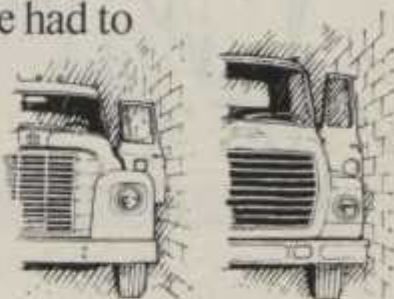


step by noon...and a mountain by 3 PM. That's why we build the Loadstar cab low. He can spend his energy moving his freight, not himself.

2. The Loadstar cab is narrower.

They pack trucks into city docks like piano keys. But the Loadstar doors still open so the driver can get

in and out. If he had to squeeze in and out of the other truck, it would waste a lot of time.



3. The big Loadstar radiator takes the heat of summer and rush-hour traffic.

A full load, a hot day and a traffic jam require a super-cool engine, if you want the freight in on time. Loadstar allows for it with a big 700 sq. in. radiator. The other truck doesn't.

4. The Loadstar has experience.

It's a great idea that's been on the streets for years...through millions of miles of every kind of city job you can imagine. It's met all the challenges and emerged the favorite.

It's not easy to make a profit on city transfer work. So give yourself and your drivers every advantage possible. Get the truck that brings in the profits by saving time.

The leader. Loadstar.

International Harvester Company,  
Chicago, Illinois 60611.



## INTERNATIONAL TRUCKS

Your profit centers on wheels.



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## AMERICAN EXPRESS

### In Quest of Utopia

*etc*

Since primitive man first clambered aboard a log and paddled it across a river, travel technology has made massive strides. Men now navigate across space to the moon, and luxurious intercontinental jets put long distance travel within reach of the masses.

Even so, there are still "little things"—flight delays, lost room reservations and the like—that leave the travel industry striving for its Utopia.

But whatever travel "systems" shortcomings exist today, they are slight when compared to conditions in 1890 when James C. Fargo returned from an overseas trip in a testy mood, his patience run out. Mr. Fargo was the third president of the American Express Co., then a famous and respected shipper of goods, specializing in money and valuables.

At that time standard equipment for travelers to Europe was the circular letter of credit, which is still in limited use today. Issued by a number of leading United States banks and negotiable only at specified European correspondent banks, the letter of credit provided protection. But drawing against it was a chore. Letters of credit were honored only by banks and during banking hours. The negotiation process took a lot of time.

Mr. Fargo had had a hard time of it abroad and he made straight for the office of an untitled underling, Marcellus Fleming Berry. "Berry," he said, without even a greeting, "the



By Howard L. Clark  
Chairman of the Board  
American Express Co.

moment you get off the beaten track, letters of credit are no more use than so much wet wrapping paper. If the president of American Express has that kind of trouble, think about the trouble the ordinary traveler has. Something must be done. Do it."

Marcellus Berry then devised the "travelers cheque"—substantially the same as those in use today—which called for the now familiar signature and countersignature.

In 1891, the first year of its use, the travelers cheque (note the spelling, which also is still used) enjoyed sales volume of \$9,200. In 10 years, sales had jumped to \$6 million. Now, billions of dollars worth are sold yearly.

The growth of travelers cheques,

which are now issued in Swiss francs, pounds sterling and Canadian dollars, as well as in U. S. dollars, led to American Express' entry into the travel business per se prior to World War I.

President Fargo also told Mr. Berry to devise a money order, whose amount could not be raised. Mr. Berry's system called for the issuing agent simply to tear off printed figures along the edge until the figure for the amount of the order was reached. If the order was for \$50, then only the \$50 figure was not ripped off. The system remained in use for many years.

Marcellus Berry was a small, bald fellow who often wore his hat in the office. He talked little, but when he spoke, everyone—including Mr. Fargo—listened. He was one man sure enough of himself to tell the president to his face when the president was wrong. He rose to become the company's first European Division manager.

Mr. Fargo's ability to see shortcomings in the system, plus Mr. Berry's innovative genius, set the tone for American Express down through the decades.

They are the early great men of our business and theirs were among the early great moments of the company.

Based on their decisions American Express in recent years has expanded tremendously and moved into fields that not even Mr. Fargo and Mr. Berry foresaw.

American Express "money cards"







## SANTA FE

# The Man Who Met the Longhorns With a Railroad

all photos  
ret'd  
2/16/71

Maybe it is just a coincidence that the year Cyrus K. Holliday was born, the first railroad was built in this country. Yet, as the man matured and the rail industry grew, each seemed to have a profound influence on the other. Jointly, their accomplishments helped shape the development of the West.

The year was 1826. The nation's size had more than doubled with the Louisiana Purchase 23 years earlier.

Rivers, canals, lakes and roadways, such as they were, carried commerce. In the West, there were the paths of Indians and fur traders, and the Santa Fe Trail.

In Massachusetts, a railroad was being built. It was only a three-mile line to haul stones for construction of a monument at Bunker Hill, but it represented the birth of an industry.

And at Carlisle, Pa., on April 3, Cyrus Holliday was born. Eventually he would be known as Col. Holliday, founder of the city of Topeka, Kans., and the driving force behind the building of The Atchison, Topeka and Santa Fe Railway Co.

No one can say, of course, just when these particular ambitions first planted themselves within the young Pennsylvanian. But they seemed to be triggered soon after he was graduated as a lawyer from Allegheny College at Meadville, in his home state.

Local promoters, planning a railroad through Meadville, needed a charter. Young Holliday, recently married, needed a client. Both were

short of funds. As his fee for the drafting, Mr. Holliday accepted stock in the company rather than cash. He had explored the new venture thoroughly and was excited by its prospects.

His decision was a wise one. Two years later he sold the stock—for \$20,000. This "fortune" provided the spark.

He headed west to Kansas—determined to found a town and to build a railroad. He was 28 years old.

In the East, the rail industry continued to grow by building short lines connecting established communities. Between Kansas and the Pacific Ocean, however, except perhaps in New Mexico and the Mormon settlement in Utah, there were no established towns of any great importance.

Mr. Holliday's dreams were of a



By John S. Reed

President and Chief Executive Officer  
The Atchison, Topeka & Santa Fe Railway Co.

railroad to Santa Fe—and maybe even beyond.

After arriving in Kansas in 1854, he soon set out up the Kaw River (Kansas River) with a small group of men to find a place on the Western emigrant trail. They selected a place called Papan's Ferry, and with a watch-charm compass and some twine laid out a town. Mr. Holliday, with customary optimism, set aside 20 acres for a state capitol.

The name Topeka was chosen and Mr. Holliday was elected "president" of the place. Within six years, Topeka was the capital, largely through his efforts. By then, he was a member of the legislature.

These were uncertain times. Slavery was a burning issue. Already, pitched battles were being fought—particularly in eastern Kansas between men of proslavery Missouri and those of free soil Kansas. Mr. Holliday, strongly antislavery, was made colonel of the Second Kansas Regiment. The fighting ebbed and flowed and eventually erupted in all-out war.

But through it all, pioneers continued a relentless movement westward and Col. Holliday dreamed of a railroad. By 1859 he had drafted a charter for his new line, projecting it "to such a point on the southern or western boundary of Kansas Territory in the direction of Santa Fe as may be convenient and suitable."

Almost as an afterthought, he included a branch "to any points on the southern boundary of Kansas Terri-



Ret'd



*A replica of a Santa Fe train of the old days, dubbed the "Cyrus K. Holliday," rolls along near Dodge City, Kans. Arrivals of trains like it were big events at depots such as the one in Topeka (below, in 1880).*

Ret'd



tory in the direction of the Gulf of Mexico."

A railroad to the west and south, he figured, would intercept thousands of beef cattle and provide revenue for the young line as it moved westward. It was shrewd and correct reasoning. For many years, the herds would pound up the storied trails from Texas to be loaded on cars at Newton, Wichita, Dodge City and a dozen other railroad towns across Kansas. Col. Holliday's railroad moved westward.

Other men would follow the colonel in a leadership role as the railroad continued to progress. They would demonstrate his qualities of leadership and vision, and these very qualities would become the hallmark of Santa Fe's philosophy of doing business.

Eventually, this philosophy would be summed up in the phrase, "Always on the move toward a better way."

Out of the lawyers and merchants and farmers who dreamed of it, built it and operated it, the Santa Fe made not a single millionaire. But it created enough wealth out of almost nothing to make thousands of people wealthy and millions prosperous. For years it was the greatest corporation of the plains with which settlers, traders or workers came in contact.

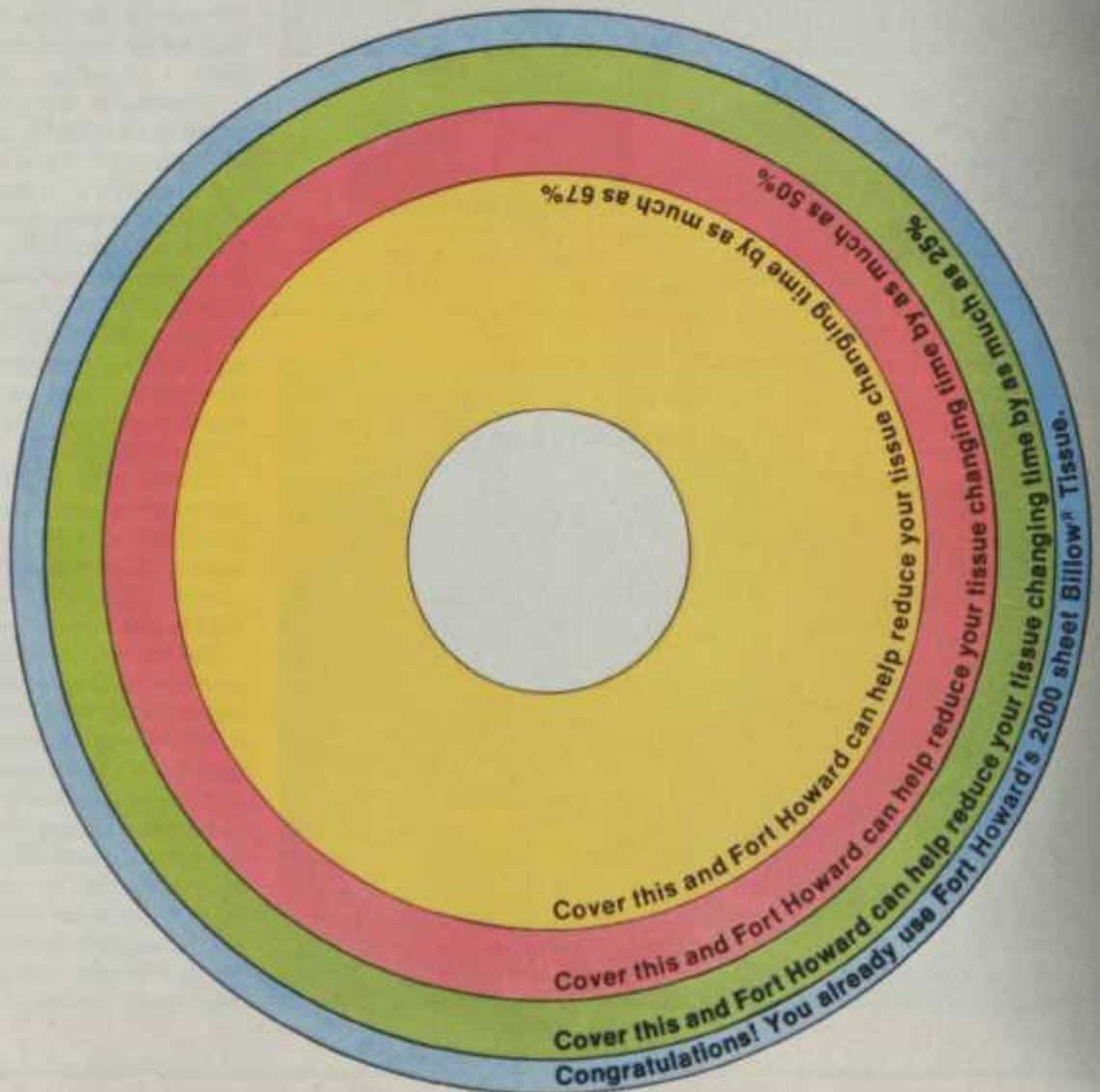
Three years ago, the Santa Fe Railway celebrated an anniversary along its 13,000-mile-long system. It had been 100 years since the colonel had turned a symbolic shovel of dirt in Topeka, to start his railroad.

Before his death in 1900, he had seen the product of his dreams reach westward to the Pacific Ocean, eastward to Chicago and southward to the Gulf of Mexico—opening new lands and new opportunities to the thousands upon thousands of persons who followed. He had witnessed commerce and industry develop and towns grow where none had existed before.

As the railroad prospered, so did the West. Perhaps it is all just a coincidence. Or is it? **END**



# Put a roll of your tissue here and find out how much Fort Howard can save you in maintenance costs.





**Try it yourself.**

Most industrial roll tissues cover only the red part. If your roll is like that, Fort Howard can cut your tissue changing time in half. That's because your roll is only 1000 sheets.

Our Billow® tissue is 2000 sheets. It lasts twice as long, so your maintenance people only have to change it half as often.

**What it's worth to you.**

Normally it takes about 60 seconds to change a roll of tissue. Figuring your total maintenance costs run about \$3.00 per hour, that means it costs you a nickel every time a roll is changed. So when you add up a year of roll



changes for your entire company, 50% changing time can be pretty important.

**It's the same with towels.**

Stack five packages of our Singlefold towels against all the towels you can fit into your present dispenser, and you'll see that Fort Howard's Super Singlefold dispenser cuts towel refills, too. Often by as much as 75%.

**Is your tissue on target?**

Write us on your letterhead and we'll send one of our men over with a "Tissue Target." If your tissue's in the red, he'll show you how to save 50% in tissue changing time. If it's in the green, he'll show you how to save 25%.

If it's in the blue, he'll say "thank you," because you're already a Fort Howard customer.



# Fort Howard Paper

Green Bay, Wisconsin 54305

**We put paper to work for you.**



BANK OF AMERICA

# The Largest Bank Was Once a Plank on the Waterfront

A 30-second earthquake had shattered all the careful safeguards of man. Telephones and electric lights were useless. Water and gas mains burst. The streets of San Francisco were a maze of ridges, gaps and debris from fallen walls. The time was 5:12 a.m., Wednesday, April 18, 1906.

Most of the city's well-built structures survived the shock. Many people returned to bed, thinking the danger over.

But as thousands of workers headed for the financial district at 8 a.m., flames were racing through the poor area of the city south of Market St. Here buildings squatted on "filled" tidal flats. Flimsy frame houses dated back to the Forty-niners.

These shacks fell, and the wreckage nourished fires from overturned stoves, downed electric wires and severed gas pipes.

Firemen found no water in the mains. Hoses were rigged to draw water from the bay, but the flames were already past control.

Refugees began dragging trunks up the horribly steep hills, supposedly to safety. Troops from the Presidio urged the exhausted families to move on, just ahead of the shifting line of fires. The mayor ordered that looters be shot on sight.

The people in the business section finally began to worry that the flames would reach their area. At noon, Amadeo Peter Giannini, the young man who had started the Bank of Italy two years earlier, reached the little bank on Montgomery St. He had walked most of the 17 miles from his home in San Mateo. No trains



By A. W. Clausen  
President  
Bank of America

were running and travelers were headed hysterically in the opposite direction.

The bank had been opened by two employees. Mr. Giannini watched the blaze on Market St. and decided to get out. There was no vault to protect the funds; the Bank of Italy had stored money overnight in a larger bank's vault. Mr. Giannini got two teams and wagons from a produce company and stowed the bank's \$80,000 in cash under crates of oranges.

They waited until dark to start the journey to Mr. Giannini's home, thinking that travel would be safer then. The roads were so packed with refugees that the two wagons didn't reach San Mateo until 7 a.m. Thursday. The money was hidden in the ashes trap of the Gianninis' fireplace.

The banker returned to the charred city to find the Bank of Italy office

in embers. One third of San Francisco was demolished. The fires were finally halted Friday at wide Van Ness Ave., where a last stand with dynamite and wet rugs saved the rest of the city.

More than 500 were dead. There were 250,000 homeless camped at the edges of the city. Property loss was about \$400 million.

Mr. Giannini remained confident about the future, though he had only \$80,000 to cover deposits and meet requests for loans to rebuild North Beach, the Italian area of fruit vendors and merchants the bank served. As the big bankers waited for their vaults to cool, and then put a month-long bank holiday in effect, he set up a temporary bank—a plank counter and a bag of money—on the waterfront.

He did more. He searched out ship captains, gave them funds and told them to get lumber. This foresight aided reconstruction considerably.

At his "wharf" branch, Mr. Giannini encouraged the earthquake victims: "We are going to rebuild San Francisco... greater than ever." The comforting voice booming from this tall, well-known man brought confidence to those who had given up.

When a listener said he was ready to do his part, Mr. Giannini praised him: "That's the spirit! We'll fix up a loan immediately." Security was often merely a man's character. If a borrower asked for \$3,000, the banker offered half that amount.

Holding up a sheaf of papers, he would say: "Look at all the requests. If we give everybody all he wants

ret'd to Bank of America  
1/13/71  
put id 8-28-74



*All these ret'd plus the few more  
in the column*



Founder Amadeo  
Peter Giannini of  
Bank of America.

*ret'd  
Bank of America  
1/13/71  
ret'd 8-28-74*

there won't be enough to go 'round."

Surprisingly, deposits came in. Italians who had always distrusted banks knew their hoards would be safer with Mr. Giannini than in the refugee camps. Six weeks after the earthquake the Bank of Italy's deposits exceeded withdrawals.

So the bank grew, under Mr. Giannini's leadership, and became Bank of America, the largest bank in the world. And it was due to the response from the people of North Beach after the fire that Mr. Giannini decided to be a banker for life.

While one man does not make an institution, he can cast a very long shadow and imbue that institution with a quality that affects it far into the future. A. P. Giannini affected Bank of America strongly during his life, and after his death in 1949 his influence was still felt. The bank grew, but despite its growth has continued his emphasis on humanity in banking.

In 1964, the bank affirmed the need to bring minority peoples into the American mainstream. The minority component of our staff is now 20 per cent. We have loaned more than \$6 million to minority businesses through the Small Business Administration.

The bank's New Opportunity Home Loan Program is bringing pride of ownership and new self-respect to the disadvantaged at a rate of well over \$1 million a month. And last year, Bank of America was first to drop points on real estate loans and first to pledge a \$100 million increase in our real estate portfolio, though more profitable ventures abounded.

Our bank stuck by California's municipal bond market in 1968 when others would not. Because of our decision, 760 municipalities throughout California received financing for desperately needed community services.

The bank also holds \$160 million in securities that reflect antipollution and environmental control projects.

Bank of America is still rebuilding cities and renewing lives in the tradition of Amadeo Peter Giannini.

END



Mr. Giannini's bank, its first home destroyed, occupied these quarters for 15 months following the 1906 San Francisco earthquake.



## CARRIER

Keeping Cool  
at Ringside

By Charles V. Fenn

President  
Carrier Corp.

When Willis Haviland Carrier, the father of air conditioning, developed the machine that launched the comfort cooling industry, he was so uncertain anyone would come to see it that he scheduled a six-round boxing bout to draw an audience.

The debut was set for May 22, 1922. Dr. Carrier had developed the first air conditioning system 20 years earlier, but it was designed for industrial use in a printing plant. There was no suitable cooling device to provide comfort in big buildings.

Previously, cooling machines for factory air conditioning employed reciprocating ammonia compressors. They were physically huge, mechanically complex and difficult to control. They could not be directly driven by electric motors or steam turbines. And they were dangerous in heavily populated buildings. Ammonia refrigerant is toxic and explosive. Even a small leak of the pungent gas could cause panic.

Dr. Carrier's new cooling machine used a centrifugal compressor with a safe refrigerant. The system chilled water for air conditioning, corrected all the other deficiencies and was more economical to own and operate.

Still, air conditioning was such an infant industry, Dr. Carrier wasn't sure the 300 invited New York engineers would travel to the Carrier plant in nearby Newark, N. J., to see the new unit's maiden run. To help them decide, he offered a free dinner and the boxing bout.

No one recalls who won the fight, or even the names of the boxers, but some details of that evening are well

documented. The dinner tables, set up in the machine shop, were crowded. The new centrifugal refrigeration machine was in operation nearby, behind curtains, when Dr. Carrier rose to tell how it worked.

He had scarcely launched his talk when a loud, long grinding noise erupted behind the canvas curtain. The noise was suspiciously like that of a high-speed rotating device surging. The inventor knew his centrifugal was turning over at 3,500 r.p.m.

Dr. Carrier, maintaining his cool despite his fears, continued talking. Meanwhile, J. Irvine Lyle, a long-time associate and general manager of the company, quietly slipped behind the curtain, expecting to find disaster.

In a moment, Mr. Lyle reappeared and signaled to Dr. Carrier that all was well. The frightening noise had been caused by a heavy metal shop table being dragged over a rough

concrete floor to make room for the boxing match.

The pioneer machine operated perfectly when the dinner guests crowded around it. (After a working career of 28 years, it was placed on permanent display at the Smithsonian Institution in Washington, D. C.)

Immediate industrial sales were made for centrifugal air conditioning systems. Leading candy manufacturers were the first to buy. And it was not long before Dr. Carrier's novel machine had created a huge new market for comfort air conditioning.

In 1924, the J. L. Hudson department store in Detroit bought three units of 195 tons cooling capacity each for its basement sales area. The same year three more centrifugals were sold to cool theaters in Dallas and Houston. The success of these installations set the stage for an appearance at New York's Rivoli Theater in 1925.

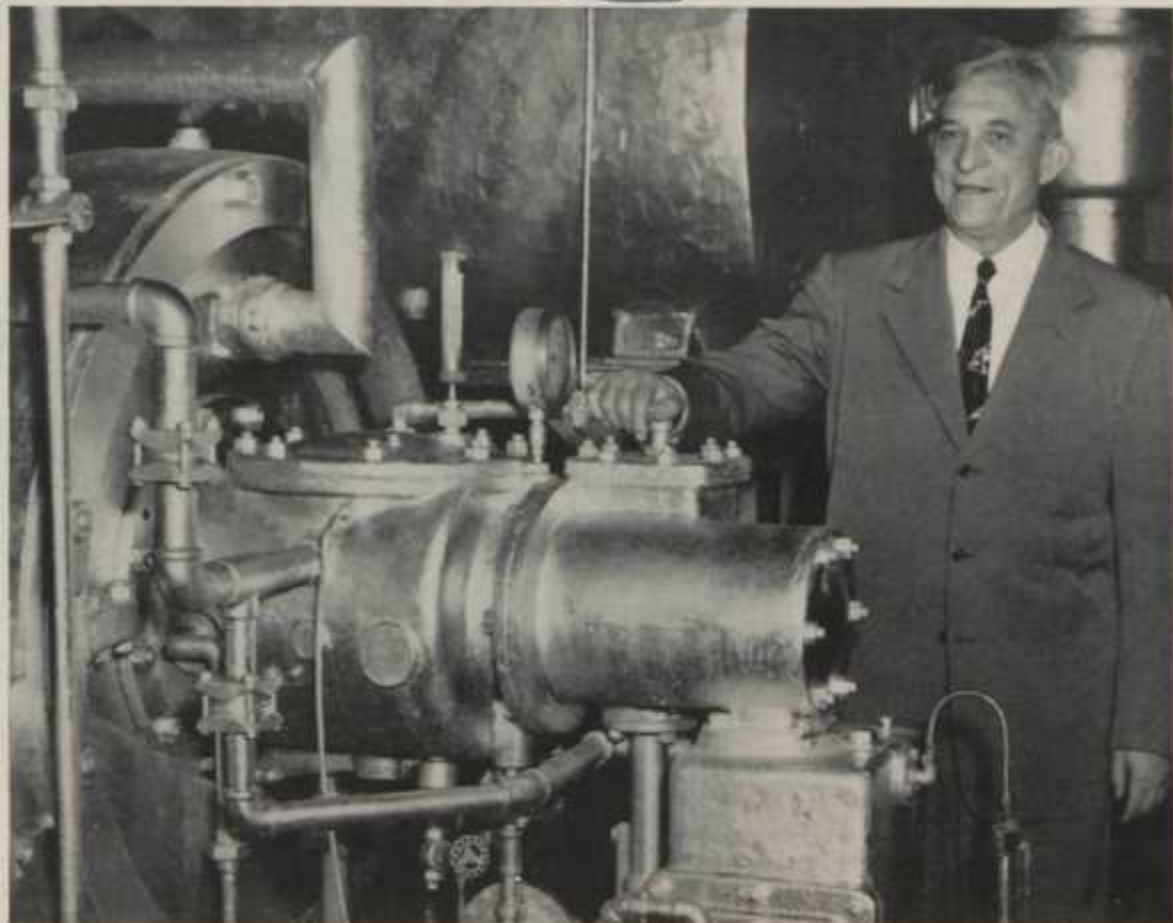
Before this showcase job could be completed, however, Dr. Carrier was faced with an unexpected problem. The New York City building code barred centrifugals because dielene, the perfectly safe refrigerant it used, was not listed as "approved."

The city safety chief would not issue an installation permit, so Dr. Carrier decided to call on him and try an experiment.

"Right in his office," he later recalled, "I poured some dielene into an open container and dropped a lighted match in it. The safety chief got mad, and scared too, I think. He said if we were going to try such stunts, we should go elsewhere. All the



Art K



*Next summer, when it's blazing hot outside but cool and pleasant in your office, think back to this man and this machine. Willis Carrier invented this centrifugal refrigeration machine in 1922, making it practical to cool large buildings. The photo was made a few months before Dr. Carrier died in 1950. The machine lives on—at the Smithsonian in Washington.*

while the dielene burned down very slowly—no flare-up, no explosion.”

The impromptu demonstration, plus the proved safety record of the machines already in service, finally carried the day. The air conditioned Rivoli made box office history and launched the major movie theater market. Comfort cooling was here to stay.

By 1930, 293 centrifugal refrigeration machines had been sold to provide 40,000 tons of cooling for skyscrapers, stores, the House and Senate chambers in Washington, the battleship U.S.S. Wyoming, Madison Square

Garden and even a gold mine in Brazil.

Today, the centrifugal is the heart of most big building systems around the world. It helps make possible the wonder of the Houston Astrodome. Miniature versions even serve in the sky, cooling jet airliners. More than 30,000 centrifugals, providing more than 12 million tons of cooling capacity, have been sold.

Air conditioning for human comfort is by far the biggest part of the \$4.25 billion climate control industry.

Equipment now ranges from small room units with less than a half-ton

of cooling capacity to giant centrifugals with a capacity of 10,000 tons each. In between these extremes, the industry offers literally thousands of different types of packaged units and system components for every conceivable type of space occupied by people.

The industry has come a long, long way since Willis Haviland Carrier introduced his revolutionary centrifugal water chiller almost a half-century ago, with a boxing bout to lure an audience. Nowadays, air conditioning is the added attraction at boxing bouts, rather than vice versa.

END



GOODRICH

## The Doctor's Prescription: Invention and Quality



By Ward Keener  
Chairman of the Board  
and Chief Executive Officer  
The B. F. Goodrich Co.

It was 1888. Dr. Benjamin Franklin Goodrich was speaking to managers of the rubber company he had founded 18 years earlier. He was thin from illness, but his voice had a touch of steel.

"The only anxiety I have—the things that might break up this concern—are just what I have always talked about . . . whether the discipline is kept up, whether the repairs are kept up, and whether the standard of quality is kept high.

"If these are done as well as they have been done in the past, there is no question about the success of this concern.

"But if it fails in any of these particulars, it will go to the devil in one fourth the time it has taken to build it up."

Failing health was forcing Dr. Goodrich to leave Akron, Ohio, for Colorado. As in the past, his spirit masked the seriousness of his sickness. In three weeks he was dead of tuberculosis.

Only 46 when he died, Dr. Goodrich had overcome poverty and poor health to become a physician, an Army surgeon during the War Between the States and, later, a businessman and industrialist.

The ideals and innovative drive that led him to found the first rubber company west of the Allegheny Mountains and keep it growing in face of incalculable problems are still evident in The B. F. Goodrich Co. today. Perhaps nowhere in American indus-

try has the philosophy of a company founder endured within the enterprise so long and with such good results.

B. F. Goodrich currently is one of America's 100 largest corporations, with 40 manufacturing plants in the United States, Canada and Puerto Rico. It has more than 40 foreign subsidiary and associate companies and manufactures and sells rubber and chemical products in more than 100 countries. Its employees total more than 47,000.

Dr. Goodrich was one of those rare men of conviction who impress their ideas on others with such force that the ideas live long after the men are gone. His great conviction was that industry must make quality products that serve human needs.

When The B. F. Goodrich Co. started in Akron, Ohio, in 1870, there were few known uses for rubber, and many of the rubber items being made were of poor quality. Dr. Goodrich saw the need for product development and product quality and was determined to make his firm outstanding in these.

From the time he and a business partner made loans to the floundering Hudson River Rubber Co. of Hastings-on-the-Hudson, N. Y., in 1868, he was convinced that rubber would become an increasingly useful material.

Even though Hudson River Rubber Co. failed after he took it over, he did not lose faith in rubber's potential.

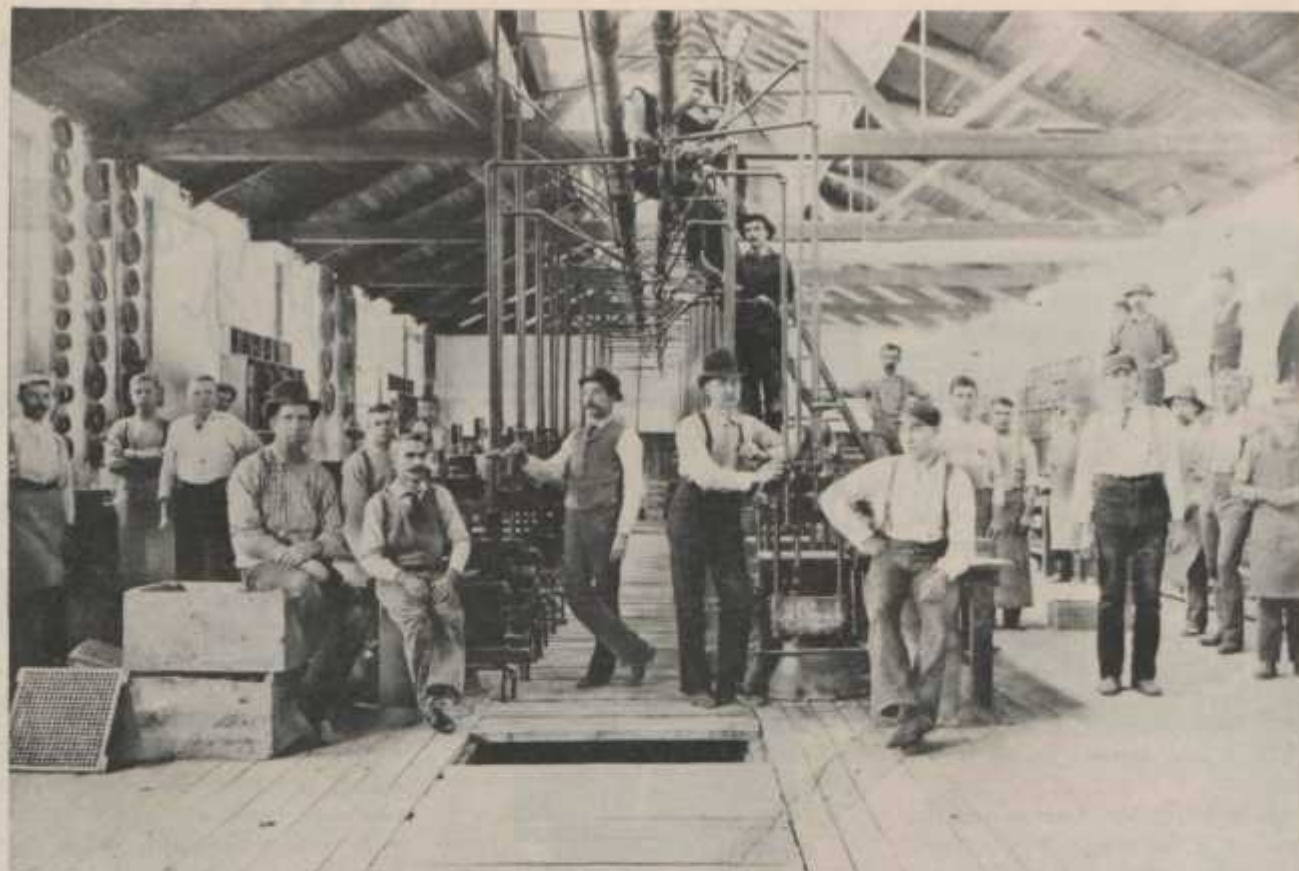
Earlier, as a struggling physician, he had seen a friend's house destroyed by fire because a leather hose burst. He believed rubber would make better fire hose.

In the early oil fields of Pennsylvania, he had seen the need for hose to move oil and he knew rubber could be used for that. He knew rubber could be used in surgery and therapy, and he wanted to develop products for these uses.

He saw the growing use of leather transmission belts for harnessing the power of steam engines, and he knew rubber could be used for that.

The financial condition of Hudson River Rubber Co. would not permit product development, so he decided to establish a new firm in the Mid-





*B. F. Goodrich Co. workers like these were fashioning all sorts of products from rubber—once a little-used material—80 years ago.*

*Rt'd*

*Rt'd*



*Dr. Benjamin Franklin Goodrich.*

west where production costs were lower. He wanted a location where there was abundant power, transportation and labor, as well as the opportunity to grow with a fast-developing area.

He found such a site in Akron, Ohio, then a town of 10,000 with two canals, two railroads, a coal mine and a large number of skilled craftsmen from Central Europe.

Akron businessmen agreed to invest in the company and it was organized Dec. 31, 1870. By May, a newly erected and equipped factory building was turning out hose, gasket rubber, bottle stoppers, jar rings, and rolls for the handwringers used by housewives and laundresses of that era.

Before the end of the firm's first year, Dr. Goodrich had developed the world's first cotton-covered rubber fire hose, which quickly became the firm's

main product. The "White Anchor" brand fire hose was not only the first of hundreds of firsts in rubber the company claims today, but it was the technical forerunner of the pneumatic tire.

The tires The B. F. Goodrich Co. made for Alexander Winton in 1896, for the first automobile manufactured for commercial sale, were patterned after the fire hose. Although tires are the company's biggest-volume product today, White Anchor textile-covered fire hose is still one of its important products.

From the day he opened the doors of The B. F. Goodrich Co. until he died, Dr. Goodrich pursued a relentless campaign of product development and improvement.

He made quality and invention the hallmarks of his company and, in doing so, raised the standards of the entire rubber industry. **END**



## GREYHOUND

# With Several Ways to Go, He Chose Up

*all photos  
net id 28-74  
8'*

*note*

Fortunately, a bit of misfortune can turn into an advantage for an individual and, in some instances, for the entire population.

Such was the case for Orville S. Caesar, who was president of Greyhound Lines, now the world's largest intercity bus company, from 1946 to 1956, and later served as its board chairman.

Back in 1918, Mr. Caesar and his partner in a Superior, Wisc., truck agency were feeling the misfortunes of being stuck with two high-priced trucks they couldn't sell. To salvage their investment they had coach bodies built for the trucks' chassis and began a small bus operation between Duluth, Minn., and Superior.

Seven years later, Mr. Caesar sold his interests in the operation, joined Greyhound as assistant general manager, and was on his way.

During 40 years of service with Greyhound, one of his important contributions to its success was his effort in developing the dual-level Scenicruiser—the most radical bus design for its time and the most popular ever to go on the highway. It was introduced in the mid-'50s.

But why a dual-level bus?

The need for more space for Greyhound's growing package express service was one of the major factors behind its development.

With several ways to go, Mr. Caesar chose up. Not only to provide more space for package express, but to give the traveling public a better and safer view of the country.

Mr. Caesar decided on a streamlined design, a far cry from the "boxy" look



By Raymond F. Shaffer

President  
The Greyhound Corp

of previous buses, and improved upon or, when necessary, invented bus equipment.

Greyhound's Scenicruiser—voted one of the 100 best designed products in history—contained many important innovations for passengers.

It drew patronage from a broader market than had ever been attracted to bus travel.

In addition to nearly doubling the baggage space, the Scenicruiser brought recognition to Greyhound for developments such as—

- Individually controlled reclining seats.
- On-board restroom.
- Improved bus air conditioning—change of air in the bus every 40 seconds.
- Individually controlled air vents above each seat to enable passengers to smoke without annoying others.
- Air-suspension ride, which was introduced by Greyhound in an earlier

model and became standard equipment on the Scenicruiser and all future models. Passenger comfort was greatly increased since the coach body was held constantly level on curves, despite variation in load distribution.

- Spacious rear passenger deck, elevated above the forward seating area, which provided unequalled sightseeing opportunities.

- A wide windshield, which curved around the entire forward section of the upper level to give an unobstructed view of the road ahead.

- Six-foot-long "panoramic" windows of glare-resistant glass, which made up more than 90 per cent of the side structure above the seats.

- Skylights installed in the roof for sightseeing in mountain areas.

- Twin diesel engines mounted side by side at the rear of the bus, which eliminated a separate engine for air conditioning units. The engines' location and design also allowed maintenance personnel to remove and replace them in a matter of minutes.

- Tandem rear axles, which provided greater riding ease and more even distribution of weight.

- Colorful interior decoration.

- Power steering.

- An electric eye headlight dimmer.

Not only had Mr. Caesar seen to it that the Scenicruiser had the qualities passengers would find attractive, but he had taken into consideration the problems of the drivers and maintenance operations.

In fact, all of today's vehicle owners owe him something: He invented the automobile hot water heating sys-



sent photo 5-18-73 to Everett S. Lap

Ret'd



Here's a granddaddy of the Greyhound of today, forerunner of the silver and gray giants which now crisscross America.

ret'd



Orville S. Caesar, developer of the dual-level Scenicruiser.

tem in the 1920s and—later—gradual shading of windows (he personally hand dipped the first pieces of glass used in the prototype of the Scenicruiser)

The Scenicruiser's 40-foot length and capacity for 43 passengers made it possible for Greyhound to reduce the number of second sections it added on many of its runs and to achieve higher revenue per bus mile.

Mr. Caesar's baggage space innovations have taken Greyhound into one of its fastest-growing operations. Its package express revenues reached nearly \$60 million in 1969.

Following introduction of the Scenicruiser, Greyhound was operating more than 5,000 buses over 90,000 miles of routes in every state and Canada. And ownership of The Greyhound Corp. had increased to more

than 50,000 stockholders. In 1961, just three years before Mr. Caesar's death, Greyhound began to diversify.

The Greyhound Corp. today—it now operates nearly 6,000 buses—is a multi-industry company with more than 100 subsidiaries, employing more than 70,000 persons in diverse operations around the world. It has more than 140,000 stockholders.

With the recent acquisition of Armour and Co., Greyhound ranks as one of this country's 30 largest firms in total annual revenues.

Today, as in 1914 when it had its early beginnings as a one-bus operation between Hibbing and Alice, Minn., Greyhound looks to its Orville Caesars to continue to make it the "Action Company With a Future."

END



## HALLMARK

# What's a Nice Firm Like Yours Doing in a Place Like This?

One overcast January morning in 1967, a group of greeting card executives entered the Kansas City, Mo., City Hall. Amid TV lights and cameras, they presented to the mayor, Ilus Davis, nearly 50 pounds of carefully drafted documents.

Collectively, the affidavits, maps, exhibits, surveys, and photographs made up a proposal for the redevelopment of some 25 city blocks on the edge of the central business district.

More than a decade of study and decision had preceded that morning call. More than \$200 million in private funds was budgeted toward land purchase and construction.

The intent of the visit was to win official blessing for a noble experiment: Let private industry take a crack at urban renewal—let one firm, Hallmark Cards, Inc., replace 85 acres of blight with a model urban community to be called Crown Center.

Let private financing, instead of public money, erect a million square feet of office space, a thousand guest rooms, 2,500 apartments for 9,000 people, 7,000 concealed parking spots, and an innovative retail-cultural center—all in a park-like downtown section.

In the 48 months since then, the most frequently asked question I hear is, "Mr. Hall, what's a greeting card firm doing in urban renewal?"

If we made steel, gypsum or aluminum, there would be an obvious explanation. But we're designers and publishers—people who market candles, playing cards, books, stationery, writing instruments, calendars, paper party dishes. After all, what



**By Donald J. Hall**  
President and  
Chief Executive Officer  
Hallmark Cards, Inc.

does sentiment have to do with environment? What does a social custom have to do with social consciousness?

Our decision to move boldly into urban renewal, to attack the crisis of our cities by building a model city-within-a-city, may have surprised the man on the street, but not those close to our company.

Unusual methods have marked Hallmark's rise to the top of its industry ever since my father, Joyce C. Hall, founder and current chairman, came from Nebraska to Kansas City in 1910. He set up shop as a postcard jobber, but when the picture postcard fad began to ebb, he made the cards a social custom by adding "from me to you" sentiments.

Hall Brothers, Inc. (as the firm was called until 1954) began to compete seriously with the Eastern manufacturers who dominated the business prior to 1930.

To get national distribution, two

uncommon stratagems were adopted. First, eight trailers with model greeting card departments were outfitted. They were manned by salesman drivers, and for six years, in town after town, the men sold merchandising systems.

Next, in the mid-1930s, the message was carried over network radio. Experts disapproved; they said only art and words sold cards, and people would not buy them because of brand name. But a Chicago radio "philosopher" named Tony Wons read greeting card poetry and urged listeners to look for the hallmark and crown on the back of cards when they bought them.

Later, award-winning television dramas such as "Hamlet" and "Macbeth" continued the campaign. This national advertising has done much to identify Hallmark with quality—and greeting cards with Hallmark.

As the business grew, popular figures were brought to greeting cards. Writers such as Dr. Norman Vincent Peale, Pearl Buck, Edgar Guest, Father James Keller, Bishop Fulton Sheen and Ogden Nash; painters such as Grandma Moses, Norman Rockwell, Sir Winston Churchill; and the Disney characters and Charles Schulz' Peanuts troupe.

Joyce Hall built Hallmark Cards with bold programs.

Neighborhood redevelopment was another bold idea that had long intrigued him.

For the first decade Hallmark was in business, its quarters were in a cubbyhole downtown. When the time came to build our own building, the company's employees were offered a



net 2/19/71



Joyce C. Hall of Hallmark Cards, Inc., began business in Kansas City in 1910, was wiped out by fire in 1915, but came back strong. Today, he's also interested in urban rebuilding with private funds. This model represents Hallmark's proposed Crown Center development.

choice of four locations. "They are the ones who have to get to work from their homes—and they should be proud of where they work and it should be convenient for them," the public was told.

The 122 women and 88 men opted for the "Penn Valley Park location," just 12 blocks south of downtown and adjacent to more than 200 acres of rolling, wooded parkland. The building topped out in 1923 and Hallmark Cards has been the neighborhood showplace ever since.

We underwent a major expansion in 1939, and in 1956 we moved into our present contemporary headquar-

ters facility. The new building was a crowning achievement: a handsome inverted pyramid built into the side of an unwanted hill. It offers street level entrances on every floor, and natural north light for the world's leading design and art studios.

By the late 1950s, however, the neighborhood had deteriorated severely: To the north were surface parking and used car lots, 50-year-old brick eyesores, unpalatable restaurants and aging low-rise warehouses; to the south were 19 substandard dwellings and an uneven collection of small businesses, warehouses, and abandoned blight. Only to the east

and west could one look with pride. The sylvan Penn Valley Park lay west, and in the east, Hospital Hill bustled, with its spacious lawns and nearly \$100 million in future construction.

At first there was talk, mind-stretching brain sessions with old friend Walt Disney ("Get plenty of land, don't crowd yourself as we did in Anaheim"); with architect Ed Stone, who was designing the Hallmark Gallery for Fifth Ave. in New York; and with our own executives such as Lynn Bauer, now president of Crown Center.

Then there were land use studies by Victor Gruen, feasibility studies by Seattle's Larry Smith. What was to become Crown Center grew, shrank, and changed in concept almost weekly.

First and last we are businessmen. We believe in business and always seek a reasonable profit in our endeavors.

Would Crown Center be good for Hallmark? Yes.

Would it be good for Kansas City? Yes. Would it inspire private industry to get into the urban problem? Hopefully, yes.

Because we believe in downtowns, Crown Center has been designed to complement the central business district rather than compete with it—especially in retailing.

Crown Center is programed to attract new businesses to Kansas City, not just relocate existing local offices. And it is designed to be fun, educational and culturally stimulating. Museum-quality sculpture in a 10-acre central square will be on public display, with an 18-foot metal sculpture by David Smith the initial acquisition.

Art, music, crafts and exhibits will create a things-to-do-and-see-and-learn environment.

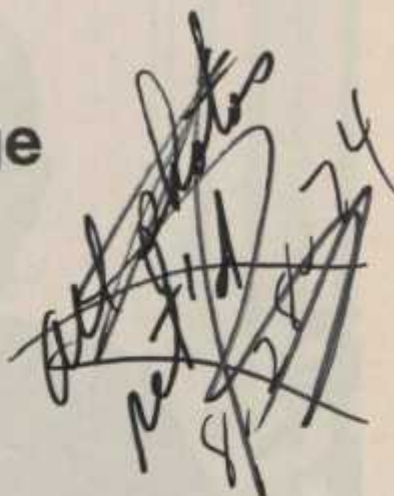
Crown Center is now under construction, remodeling Kansas City's profile. Fifteen of its 50 new buildings will open in 1972, including five high-rise towers—one a 750-room hotel. Underground parking nears completion; retail planning is "fixed."

Crown Center is now—not yesterday or a future pie in the sky. END



## HAMMERMILL

# The Marketing Change That Meant Everyone Won



Horatio Alger didn't write the story of the mailboy who becomes a successful salesman and who:

- At 26, proposes to the president of the company an idea that revolutionizes an entire industry's marketing procedures.
- Becomes sales manager and makes his product a world-wide best seller.
- Is elected president and then chairman.
- Today, in retirement at 85, watches his company expand and prosper under leaders he helped develop.

The story is straight from life. It happened in Erie, Pa. At the Hammermill Paper Co.

In 1911, the salesman, Norman W. Wilson, and the president, Hammermill co-founder Ernst Behrend, concocted a plan that almost overnight made Hammermill's the best-known name in paper.

Back then, all mills sold paper to wholesale jobbers, the paper merchants of today. Trouble was, each jobber insisted on paper with *his own watermark*. He battled over the price of each order, and he sold the paper to printers and other customers for all he could get.

Hammermill, a company scarcely anyone knew, filled orders for as little as 600 pounds (one wooden case). The jobber received the color, finish, size, thickness and watermark he wanted. This start-and-stop system was hardly an efficient way to make money—

or maintain quality—on machinery built for long runs.

Every paper manufacturer was in the same boat, going nowhere.

But the Wilson-Behrend idea turned the industry around.

They invited the leading paper merchants to a meeting, and proposed a three-point program:

1. The company would produce paper with a Hammermill watermark, nobody else's.
2. Hammermill would put national advertising (unheard of!) behind it.
3. Hammermill would sell this paper, with a suggested resale price, through a franchise system of selected merchants.

Mr. Behrend said, "The new watermark—Hammermill Bond—will be our word of honor to the public, guaranteeing our paper's quality. We will advertise it. You will sell it."

The merchants agreed. Hammermill Bond advertising began in 1912, in the *Saturday Evening Post*. Even then, Hammermill chose to send its messages to people who used paper, not just to printers and purchasing agents. Neither wars nor depressions interrupted Hammermill advertising. The bulk of the company's schedule

is now in news magazines. Over the years, independent merchants have found it easier to sell nationally advertised paper with an accepted and growing reputation.

Hammermill also recognized the printer's importance in the paper world. Hammermill ads drum-fired the usefulness of printed forms ("Paper remembers so you can forget"). The reader was encouraged to consult his printer on matters involving communications. Hammermill sales promotion material offered—to printers—ideas and products that fit their increasingly faster presses.

The wisdom of the 1911 decision was revealed within two years. Hammermill Bond became the top-selling bond paper (for letterheads and forms) anywhere in the world. That's been true ever since.

The perpetual beauty of this marketing innovation is that everyone wins: paper merchant, printer, the user, the paper manufacturer. Yes, other paper mills adopted Hammermill's brainchild.

Yet the company did not rest on its Hammermill Bond laurels. In the last three decades, under the leadership of Mr. Wilson, Donald S. Leslie and John H. DeVitt (the present chairman and chief executive officer), Hammermill has become the number one producer of fine printing papers (for booklets, brochures, annual reports, mailing pieces, catalogs).

By Robert D. DeVitt

Vice President-Public  
Affairs & Advertising  
Hammermill Paper Co.





*This was Hammermill Paper Co.'s principal plant 40 years ago. Paper produced here, on the shores of Lake Erie, at Erie, Pa., was watermarked "Hammermill Bond." It revolutionized the industry.*



*President Ernst Behrend (left) and Salesman Norman W. Wilson began transforming Hammermill 60 years ago. They altered selling practices, and introduced national advertising of paper by brand.*

A current advertising slogan is: "Whatever you have to put on paper, Hammermill has a paper to put it on."

Hammermill has strengthened its base through development of new products, prudent management of company-owned woodlands in Pennsylvania and Alabama, construction of highly modern pulp mills, expansion and continual modernization of paper manufacturing facilities, and acquisition of companies which increasingly add to the products it makes. Papers for packaging, for instance.

In addition, Hammermill, by purchasing five envelope-making companies, became the nation's second largest producer of envelopes.

Norman Wilson wanted, in 1911, to sell more bond paper. His idea did that. It also put a rock-like foundation under a company built of paper.

END



HEUBLEIN

# Riding High on a "Moscow Mule"

all photos  
sent to  
8-24-74

all photos  
returned to  
Mrs. Vivian  
Heublein  
2/3/71

America showed little taste for whiskey in the 1930s. This may seem strange, considering that the country had been legally dry for 14 years—1920 through 1933. Yet it was a fact of life at the time.

Those of us at Heublein, who had endured the Prohibition period on the sales strength of A.I. Sauce, were wondering how we were going to make a go of the liquor business again. That applied to almost everybody else in the field, too. It was very difficult to sell whiskey to Americans then.

Maybe there were other reasons, but I suspect the main one was the Depression. People just didn't have the money to spend.

We had all kinds of whiskey—Heublein Private Stock, Old Waverly, Powderhorn, Forest Park—but we just couldn't sell it.

Then, along about 1939, we had a stroke of good luck. We got a chance to compete in the liquor business via a new product: Smirnoff Vodka.

While Smirnoff was new to this country in those days, its tradition dated back to 1818, when the Smirnoff family started making vodka in Russia. They did pretty well at it, too, for about 100 years—until the Revolution came along in 1917.

In 1933, Rudolph Kunett, a Russian who had escaped after the Revolution and settled in the United States, recalled that his family had been friends with the Smirnoff family



By John G. Martin

Chairman of the Executive Committee  
Heublein, Inc.

in Russia in the pre-Revolution days. He went to Paris and persuaded Vladimir Smirnoff, the only surviving member of that family, to give him the American franchise for Smirnoff Vodka.

Mr. Kunett set up a little factory in Bethel, Conn., in 1934. Those were hard times for everybody, of course, and Mr. Kunett's Smirnoff Co. didn't do very well. Soon he wanted out. He approached several big distillers, but nobody wanted to gamble on a spirit that was all but unknown in this country.

I decided to gamble, and offered Mr. Kunett \$14,000. We also offered him a royalty on each bottle of Smirnoff we sold for a certain period of time, and gave him a job with Heublein.

When we took over Smirnoff in

1939, it was selling only 6,000 cases a year. Even the Russians in this country weren't drinking vodka then. Our problem was getting our product known. In a way, you could say the problem solved itself—in quite an unusual manner.

We had ordered 2,000 cases of Smirnoff put up for us so that we wouldn't have to hurry moving what little equipment there was from Bethel to Hartford, Conn., which was our home. We thought the 2,000 cases would give us a six-month inventory.

However, Mr. Kunett's people had run out of "Smirnoff Vodka" bottle corks. They did have some around that said "Smirnoff Whiskey"—leftovers from an ill-fated attempt at the whiskey business—and these corks were used on the vodka.

I made the first sale of Smirnoff Vodka—with the whiskey corks—to a distributor in Columbia, S. C. He bought 25 cases on good faith and I went back to Hartford. Pretty soon, we got an order for 50 more cases of Smirnoff, then an order for 500. I decided to go down to South Carolina to investigate.

It turned out that one of the distributor salesmen had tasted the first batch of Smirnoff and noticed it didn't have a taste or a smell. He'd noticed the whiskey cap, too, so he had come up with a rather ingenious, but totally illegal, scheme. He'd had streamers made that said, "Smirnoff's White Whiskey ... No Taste, No





*Meet Rudolph Kunett, the man who gave us Smirnoff Vodka. Mr. Kunett got a formula for making vodka from a fellow Russian refugee, Vladimir Smirnoff, after the Red Revolution. He set up the first vodka distillery in the United States in 1934, later joined Heublein, Inc. Vodka soon was one of America's most popular drinks. Mr. Kunett lives in retirement these days in Santa Barbara, Calif.*



*Heublein has come a long way since 1875 when this picture was taken of its Hartford, Conn., restaurant and plant. Main lines: gin, cocktails, A.1. Sauce.*

Smell." The idea caught on and people started buying Smirnoff.

When the war came along we couldn't make any Smirnoff for four years because alcohol was restricted. We made only Heublein Cocktails—martinis and manhattans.

Before the war began, I'd gotten together with a friend of mine, Jack Morgan, who owned the Cock 'n Bull Restaurant out in Hollywood, and with a friend of his.

Jack had Cock 'n Bull Ginger Beer, which he could not sell. I had Smirnoff Vodka, which I couldn't sell. His friend was in the business of making copper mugs and couldn't sell those either.

So the three of us devised a drink, and called it the "Moscow Mule," which is Smirnoff Vodka and Cock 'n Bull Ginger Beer, served in a copper mug. The war prevented us from getting that drink going. But right after the war it really took off in Southern California.

About this time, the Polaroid people came out with a camera that took pictures and, in a minute, gave you a print. I bought one of those cameras and went from bar to bar with a Moscow Mule mug and the Smirnoff bottles. I'd tell the bartender I'd take his picture and give it to him if he'd take a sip of the Moscow Mule.

Usually, the bartender was so intrigued with the idea of getting a Polaroid picture that he would do it. It took two pictures, actually. One I gave to the bartender and the other I showed to my next customer as proof that everyone was switching to Smirnoff.

Today, Smirnoff is made in 36 countries and has sales of more than five million cases a year. That's a long way from the 6,000 cases sold in 1939.

Smirnoff is the fourth largest-selling liquor brand in the United States and No. 2 internationally.

It is the backbone of the Heublein business. When we acquired Smirnoff in 1939, the value of the Heublein company was less than \$5 million. Today the market value is something close to \$500 million. So you see, this little vodka has done very well. END



## HUMBLE

# Striking It Big—the Unorthodox Way

In the summer of 1921, Humble's first geologist, Wallace E. Pratt, felt insecure. The four-year-old oil company, expecting him to find the oil it critically needed, had backed him in a multimillion-dollar play near Ranger, Texas.

Although a technological success, the gamble proved to be an economic failure, and, the pressure on Mr. Pratt from his employers mounted. As he recalls, "The future was black and my stock was at a low ebb." Mr. Pratt and Humble both very badly needed a discovery.

An opportunity had developed earlier that year when a wildcatter completed a flowing well on a block of leases near Mexia in east central Texas. A north-south trending anticline—a type of geological structure capable of trapping oil—which was shown on a U. S. Geological Survey map had been tested.

In following months, more good wells were drilled. Interest in the area heightened, with most observers believing the bulk of the field lay to the east of the discovery well.

As chief geologist, Mr. Pratt had been aware of the Mexia anticline but at first was unimpressed, writing in April, "We do not consider this well . . . particularly significant."

However, he decided to watch the development more closely and assigned Dwight Edson, a geologist just graduated from Dartmouth, to study the area.

The young man began gathering some disturbing, apparently conflicting, geological data. Confused, he notified Mr. Pratt, who journeyed

from Houston and joined him at his home in Mexia.

As Mr. Pratt recalls, "We were in his tiny kitchen late Saturday night. Mrs. Edson had gone to bed. We were tired and frustrated, but still puzzling over our astounding data when suddenly the light broke and there was the complete explanation, simple and plain as day."

The answer was this: First, the oil accumulation was not controlled by the anticline, but was trapped in the east-dipping Woodbine sand against the east side of the fault.

Second, the fault plane was not vertical, as others had assumed, but was inclined at a flat angle, dipping to the west. This meant that the fault had to intersect the oil sand far to the west of where its surface indications were to be found. The point at which the fault plane cut through the sand some 3,000 feet below the

surface would determine the western limit of the field.

Mr. Pratt then realized that the most prolific oil sand would be close to the fault at the western edge of the field's dimensions, and not to the east, as others believed.

It was midnight, but Mr. Pratt telephoned Houston and woke his boss, Will Farish, to request the authority he needed to proceed. Since Mr. Pratt's ideas contradicted popular opinion, it appeared as if he were taking an awful gamble. But Mr. Farish was convinced. Humble scraped together \$400,000 for him and Mr. Pratt began leasing heavily west of the fault.

The drill proved Mr. Pratt's judgment to be flawless. The best part of the field lay under Humble's leases.

From Mexia, Mr. Pratt moved northeastward up the same fault zone to lease what became about one third of the prodigious Powell field. So accurate were his readings that of the first 180 wells drilled by Humble, 175 were producers—a phenomenal record.

Humble climbed out of the red as production soared from 7.8 million barrels in 1920 to 17 million in 1923.

In the middle '20s, Mr. Pratt began to push development of geophysics. He also developed a new philosophy calling for the leasing of large blocks of land as opposed to the prevailing checkerboard of that era.

These two ideas came together in the discovery of the Sugarland, Texas, field, the first major oil field found by seismic surveying. Because of Humble's unique lease position, it also



By Thomas D. Barrow  
President  
Humble Oil & Refining Co.



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Wallace E. Pratt, now 85 and retired, is one of the legends of the hunt for black gold. In 1921, when Humble Oil & Refining Co. and Mr. Pratt were young, he was largely responsible for bringing in 175 Texas wells in an area which many other geologists said was barren of oil. Besides having uncannily good judgment about where oil lay, Mr. Pratt was a shrewd buyer of leases.



became the first field in which the new concept of pressure maintenance to increase oil recovery could be tried.

Mr. Pratt's genius as a geologist, trader and organization builder led to discoveries at Raccoon Bend, Anahuac and Baytown, and purchases at Thompsons, Conroe and Tom O'Connor, all in Texas, which increased the company's reserves from 219 million barrels in 1930 to 1,905 million barrels in 1937.

A major Pratt thesis, not widely accepted in that era, held that, "Hydrocarbons are normal constituents of marine sedimentary rocks."

This idea sustained Mr. Pratt in his conviction that Humble, in 1933,

should purchase a wholly unconventional 20-year-term oil and gas lease on the one-million-acre King Ranch. This vast South Texas property was situated deep in a region then rated as barren of oil. Mr. Pratt's fellow directors on the Humble board were dubious, but he persisted until they finally agreed.

Once again, his judgment was correct. Developed with great care over several decades, the King Ranch now has over 600 producing oil and gas wells and is the site of the world's largest natural gas processing plant.

Alert and active today at 85, Mr. Pratt is widely esteemed in his profession. Some fellow practitioners

consider him one of the world's greatest geologists.

This is a mantle he declines to wear, insisting his work was neither great nor innovative.

Nevertheless, his pioneering application of practical earth science to oil finding helped to convert petroleum geology from an esoteric specialty into a scientific discipline of remarkable effectiveness and utility.

Simultaneously, his accomplishments moved Humble into a major role as the nation's leading producer of crude oil and natural gas and the holder of the nation's largest petroleum reserves.

END



KELLY

## A Distress Call Changed the Temporary Help Industry

*all photos set id to Mrs. Ann Grace Kelly 1/13/71*

Kelly Services is celebrating its Silver Anniversary this year with great pride.

As a nationwide leader in the temporary help service industry and as the largest supplier of white collar office help, it now serves over 100,000 business, government and academic institutions. It employs more than 125,000 people annually—offering income and increased mobility to those who find temporary work best suited to their needs.

Chairman of the Board William Russell Kelly, who was 40 when he founded the company in 1946, has guided its growth from a one-room office staffed by two girls into a corporation of more than 300 offices throughout the U. S. and Canada with annual sales of over \$70 million.

Ironically, founder Kelly never envisioned himself as a pioneer of today's multimillion-dollar temporary help industry. But a frantic call from an accountant one afternoon during his first year of operation opened the way for a dramatic switch in his approach to the service business.

His premise for launching what was then called Russell Kelly Office Service was that office needs in booming postwar America would be enormous. And he had rightly judged the economy. Mature companies expanded, new companies cropped up and products entered the market at an increasing rate, bringing with them



By Terence E. Adderley  
President  
Kelly Services, Inc.

an onslaught of sophisticated office equipment.

Mr. Kelly, whose lifetime ambition had been to own and successfully run a business, had fortuitously gambled that the Motor City was the ideal location for his new enterprise. Detroit was a well-established manufacturing center, and he sensed the great market potential for a service business.

Nearly strangled by the burden of increasing paper work, the business world clamored for assistance and he found a ready market.

In soliciting new customers he equaled the zeal that he had displayed in a former position with the Army Quartermasters Corps. As a fiscal

management analyst, he had helped establish a centralized system for speeding up food delivery and prompt invoice payment. (Notes an associate of those days, "Russ moved food the way Gen. Patton rolled his tanks.")

Mr. Kelly planned to bring the work he obtained into his office, but other businessmen saw things differently. Although businesses sought his services eagerly, many at the same time were purchasing their own office equipment in hopes of solving their dilemmas internally. But they had few people trained to operate the machines.

The urgent call from an accountant needing a typist that afternoon in 1946 vocalized this critical need of industry for a different kind of service—skilled assistance supplied to firms on an as-needed basis.

Mr. Kelly sent over a typist and although he had originally offered the service as a courtesy to a particular customer in distress, he soon realized this was to be the trend of the future. He gradually shifted the emphasis in his operations from service bureau to temporary help as industry increasingly demanded "those Kelly Girls."

It was this ability to be flexible enough to change which assured the success of a business that might otherwise have met with less good fortune.

Mr. Kelly was offering a new personnel concept which complemented the needs of business. Using tem-





*Founder William Russell Kelly of Kelly Services.*



*An ability to be flexible, to reverse directions to meet new situations, made Kelly Services. At first work was brought to this office in Detroit to be done, but that soon changed and Kelly Girls went to the work.*

porary help on an as-needed basis, companies could avoid overloading payrolls to meet occasional peak work loads—thus eliminating paying for nonproductive employee time. This concept gained increasing favor with the business world as costs continued to rise.

Right from the beginning, Mr. Kelly served up his offer of temporary assistance attractively packaged with a 100 per cent guarantee. Unique in the service industry, this unconditional guarantee was a significant factor in his company's growth, especially during the early days when it was used to reassure customers who were skeptical about the performance of temporary help.

Russell Kelly's ability to change when the times called for it kept his business growing. The name Kelly Girls quickly became its trademark and in 1959, he officially changed its name to Kelly Girl Service, Inc.

Always abreast of employment and marketing trends, he could see that businesses needed other temporary services in addition to his by now well-established office-clerical assistance. He, therefore, carefully test marketed and added three other divisions: Kelly Marketing in 1962, and Kelly Labor and Kelly Technical in 1964.

Each broadened the spectrum of his services, giving his operations an over-all approach to business needs in the temporary help field. To better reflect the range of services he offered, he again modified the company name in 1966, this time to Kelly Services, Inc.

You might say change has been William Russell Kelly's forte of 25 years. True, he never envisioned himself as a pioneer of the temporary help industry, but keen knowledge of his customers' staffing needs coupled with a sensitivity for interpreting business trends led him to modify his original service concept. He became a pioneer and innovator in this industry because he was willing to be flexible in his approach to the service business.

The only thing Mr. Kelly has never changed is his unconditional guarantee of service. **END**



all photos  
ret'd 8-28-74

LILLY

## The Train Trip That Was a Turning Point

ret'd

On Christmas Day, 1921, George Henry Alexander Clowes, Ph.D., a young chemist from England, skipped the traditional family festivities at his home in Indianapolis. Early that morning he packed a suitcase, said good-bye to his family, and boarded a train for New Haven, Conn.

His trip was to be a turning point for Eli Lilly and Co., the pharmaceutical firm that Col. Eli Lilly had founded in 1876.

Dr. Clowes, director of the Lilly Research Laboratories, had heard a few months before that insulin had been isolated at the University of Toronto by Dr. Frederick G. Banting and Charles H. Best. Dr. Clowes had been evaluating many theories that were current about the causes and treatment of diabetes, and had come to the conclusion that this pancreatic hormone might be the most promising approach to complete control of the disease.

A starvation diet was then the only medically acceptable treatment for severe diabetes. Something less stressful for the patient was needed.

With the words "Go to it!" Vice President Eli Lilly (grandson of the company's founder) gave his approval to Dr. Clowes' idea of contacting the Toronto scientists, who were in New Haven presenting a paper on their work.

For the diabetic, eating carbohydrates leads to overproduction of sugar, which the body is unable to use for energy because little or no insulin is available to facilitate its utilization. Dr. Banting and Mr. Best hypothesized that diabetes would be controlled if insulin could be supplied



PHOTO: BRIAN BEUTHE

By Henry F. DeBoest  
Vice President, Corporate Affairs  
Eli Lilly and Co.

from another source, animal pancreas. But a way to manufacture a stable, standardized insulin product in large quantities would have to be found.

Dr. Clowes convinced the Canadians that Eli Lilly and Co. had the capability to develop a large-scale production method. Scientists worked day and night. Soon procedures for isolating insulin and purifying it in large quantities were discovered.

The purchasing department worked out a supply system with meat packers so animal pancreas glands that slaughterhouses had always discarded would be brought frozen to Indianapolis. Manufacturing facilities were designed and ready for use by the following year. Lilly insulin was marketed in 1923.

The Canadian scientists' discovery of insulin therapy, and its development, constituted one of the great landmarks in medicine, ushering in a new era of cooperation between pharmaceutical industry researchers and university scientists.

Years later, in 1941, Josiah K. Lilly Sr., son of the founder and at that time chairman of the board, wrote: "Insulin revolutionized our place in the industry."

Insulin was to be followed by many other outstanding products developed in the Lilly Research Laboratories. In the 1920s the company discovered the first in a series of barbiturate sedatives and hypnotics and, in association with Dr. George Minot and Dr. William Murphy, developed the first liver extract for control of pernicious anemia, a condition invariably fatal if it is untreated.

Among other contributions were development of a killed-virus poliomyelitis vaccine in association with its discoverer, Dr. Jonas Salk; discovery and development of erythromycin, one of the first of a new class of antibiotics; and development of the cephalosporins, a new family of broad-spectrum antibiotics, following a chemical breakthrough that permitted synthesis of a large number of derivatives of the original cephalosporin.

Early in the 1950s the company began to seek new areas where its research experience in the life sciences could be used.

It entered the agricultural market in 1954 with the introduction of a hormone for promoting growth in beef cattle. Today, Lilly agricultural products include herbicides, fungicides and growth regulators for plants; lawn and garden products; and veterinary medicines and other animal health products.

Throughout its 94 years, the company has made every effort to see that





Diabetics owe much to Eli Lilly and Co. The Indianapolis firm developed a method for large-scale production of insulin—which has saved diabetics' lives by the thousands. The photo at right, of packaging of insulin, was made in 1923, the year it went into production. Above is Col. Eli Lilly himself, president of the company until 1898.



its products reflect the emphasis on quality set by its founder, who turned his back on the popular patent medicines of the day to produce quality products, honestly labeled, for physicians.

Col. Eli Lilly was a remarkable man whose concern for people was evidenced by his community leadership and service. His view of human worth was reflected in corporate policies that attracted people of talent to his organization at all levels of responsibility.

J. K. Lilly Sr., who followed his father as president, put the Lilly philosophy into words when he said, "The people who make up this company are its most important assets."

That also was the credo of the colonel's grandsons, Eli (now honorary chairman of the board) and J. K. Jr. (who was chairman when he died in 1966), and it remains company philosophy today.

In 1914, when young J. K. Jr. joined the Lilly organization, he was assigned to study the establishment of a personnel department. Two years later, in a 154-page, typewritten report to his father, he recommended a personnel policy that was far ahead of the times:

"The greatest business problem of today is the human problem of labor and the wise handling of employees. . . . Fair wages, reasonable hours, working quarters and conditions of average comfort and healthfulness, and a measure of protection against accident are now no more than primary requirements in every factory."

In 1916 the company's first employment office was established. An industrial medicine department for employees was added the following year. In 1920 the company adopted a pension plan and paid the entire cost for employees. A company cafeteria was started in 1924. Three years

later, a health insurance program was arranged.

Under the leadership of the Lilly family, the company has grown from its original four employees to more than 19,000 associates worldwide, and from an 18-by-40-foot building to a large complex of manufacturing plants in the United States and 15 countries abroad.

Its medicinal products have changed from "pills, fluid extracts, elixirs, and cordials" to the broadest line of pharmaceuticals and biologicals in the industry. Company price lists also include hundreds of other products.

In the last decade, annual sales of Lilly products have risen from \$178.5 million to \$537 million. Such progress is fulfilling the prediction of J. K. Lilly Sr. in 1946 that if the company follows the principles on which it was founded and built, "There are no limits to where we can go." END



## MACY

The "Value Store"  
That Grew and Grew

At 36, Rowland Hussey Macy was a failure.

Born on Massachusetts' Nantucket Island in 1822, he had gone off at 15 on a four-year whaling voyage, returned to some in-and-out jobs, and finally settled down in retailing.

Starting when he was 22, he had opened dry goods stores in Boston and Haverhill, Mass., and in Marysville, Calif. All had floundered, even the one at Marysville, where gold and the Forty-niners might have seemed to assure the success of any store.

But in 1858 Rowland Macy, an obstinate and quick-tempered Yankee, was determined to try again, this time in New York. Two months after his thirty-sixth birthday he started a small, fancy dry goods store near the corner of Fourteenth St. and Sixth Ave.

Over the next 20 years this shop was not only to succeed, but to grow spectacularly. It became one of the first real department stores in the world and was the start of an organization that today consists of 63 stores throughout the country. Last year, Macy's recorded more than \$900 million in sales.

What did Mr. Macy do so differently in New York? The answer, surprisingly, is very little. All through his retail career, he had held to certain policies, which, if not his creation, were distinctive in the way he combined and pursued them:

He bought and sold for cash (even his family could not have credit). He charged the same price to everyone. He sold at the cheapest prices possible. And he advertised and promoted his stock aggressively.

Mr. Macy altered none of these policies in coming to Fourteenth St.



By Ernest L. Molloy  
President  
R. H. Macy & Co.

But he did, obviously, find at last the right place and time to apply them. Competitive, bustling Manhattan on the eve of the Civil War was ready for his "value store," just as he was ready for Manhattan.

His death in 1877 brought outside owners to R. H. Macy & Co.—and eventually two brothers whose family name was to be linked with the store almost as closely as his.

Nathan and Isidor Straus had owned the china and glassware department at Macy's for years, and had made it the driving center of the store. In 1888 they became partners of the company and eight years later took complete control.

Although Macy's converted to a public corporation in 1922, Strauses have remained in its management hierarchy ever since.

The Strauses brought many changes to Macy's, but none more important than its change in location. By the late 1800s the city's main shopping district had nosed northward, making Fourteenth St. its lower, rather than

upper, end. In addition, the Macy store had grown about as much as it could on its old site. Spreading left and right into other buildings, it had become an architectural scramble of levels and elevations that made shopping complicated and further expansion almost inconceivable.

What the Strauses decided was to make no little plans, but to build an entirely new Macy's. And build it well uptown. The site they picked was at Thirty-fourth St. and Broadway. In 1902, the new store opened. How right they were in their choice was proved a few years later when the Pennsylvania Station was erected just blocks away, bringing thousands of people almost to the store's doorstep.

By the mid-'20s Macy's was doing so much business that the decision was made to break ground for a second building, which eventually filled the entire block and created what is still the biggest department store in the world.

But while Macy's today is a different store and a national organization operating through six merchandise divisions, there is still much about it that Rowland Macy would recognize.

True, his cherished cash-only policy is gone, the victim of changed consumer demands and rising income levels.

And the customers are different, for Macy's no longer caters only to the middle class, but to the style and quality tastes of all income groups.

Yet the central concept that Mr. Macy established—a value store offering a wide assortment of goods—remains very much intact and, indeed, has strengthened with time.





*Rowland H. Macy let nobody—not even members of his own family—buy on credit.*

Long before consumerism became a national movement, for instance, Macy's established a Bureau of Standards, probably the first in any retail store in the country. Since 1927 it has been testing merchandise at the rate of over 1,000 analyses a month, all with an eye to improving the technical quality of products and assuring the consumer of maximum value for his dollar.

Similarly, Macy's has consistently stressed the value concept in its executive training programs. Beginning in 1919, these programs have groomed hundreds of managers for the company's stores and, as luck would have it, for some of our competitors.

Some years ago I received a letter that proves, I think, how much people still look to Macy's to solve their shopping problems. A man in Maine requested a dead horse.

When I wrote back to ask what he could possibly want with such a thing, he confessed that he was a fisherman and he thought that he might sink the animal in a lake so that, come spring, he would know where the fish were.

And he just figured that Macy's, with 400,000 items in one store alone, might have an extinct horse around.

We don't often fail our customers, but we had to concede defeat on that one.

END



*The present-day network of 63 Macy stores grew from this building at 204 Sixth Ave. in New York City. Rowland Macy set up shop here in 1858, calling his business a "fancy dry goods" store. It was one of the world's first true department stores.*



MONROE

## Abacus, American Style

note.

all parts  
reld  
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In a day when electronic calculators spew forth answers to complicated scientific formulas in milliseconds, it's hard to imagine that not so many years ago no one had successfully marketed a machine that could simply add, subtract, multiply and divide.

Every mathematical problem, no matter how difficult, was unraveled by the toil of the human brain and recorded by pencil and paper.

Two men—Jay Randolph Monroe and Frank Stephen Baldwin—changed all that and paved the way to the remarkable calculator technology we know today.

Mr. Monroe's idea was to develop a machine that would free humanity from the drudgery of pencil and paper arithmetic. He wanted an outstanding calculator—but he wanted more than that.

Technology, he said, must be properly blended with human skills and understanding. On the one hand—a superior product; on the other—understanding of the customer's needs and continued concern for his welfare.

This blending of technology with a human approach to business has formed the cornerstone of Monroe's philosophy for 58 years and has figured importantly in its success.

It all began on the front porch of a boarding house in East Orange, N. J., in 1911. Mr. Monroe, then 28, lived there while working as an accountant in the offices of Western Electric Co. Seated on the porch one evening, he confided his ambition to a companion:

"The business world needs a calcu-



By James Sheridan

President

Monroe, The Calculator Co.  
A Division of Litton Industries, Inc.

lating device, a machine that can add and subtract as well as multiply and divide. It should be so simple to operate that a clerk can learn to use it with only an hour or two of instruction. There should be a visible means of checking answers. Ideally, the machine should accomplish all of this quickly and accurately."

Overhearing the conversation, a fellow boarder remarked that he had seen such a machine and could arrange a meeting with the inventor, who happened to room with his son.

Thus, the two men met—Frank Stephen Baldwin, inventor of the Baldwin calculator which formed the basic principles of the first Monroe calculator, and Jay R. Monroe, who was to found the Monroe Calculating Machine Co. a year later in 1912.

The marketing of those early Monroes was a pioneering venture. People didn't trust the mysterious metal box

of gears and dials and levers. Frequently, those who used it worked the whole problem over and over again with pencil and paper, just to check the machine.

In one instance, the auditing department of a major railroad had prepared a series of tables with pencil and paper that entailed over a million calculations in the computation of freight rates.

Each sheet was checked—by hand—by seven different clerks.

The auditor of freight receipts, with great skepticism, agreed to let the mysterious mechanical box check the tables. The machine uncovered 135 errors.

Skepticism eventually gave way to wholehearted acceptance. Before long, the demand for Monroe calculators far exceeded the supply. The company expanded rapidly, and in 1915 Monroe's marketing organization had its official beginning.

It is Monroe's marketing organization which has given expression to Mr. Monroe's business ideal of providing not only an outstanding product but the kind of service which only human skills and human care can supply.

"We are not merely vendors of a machine," said Mr. Monroe, "we are a service organization. We must provide our users with every means to attain the greatest possible efficiency from the product we sell."

From those earliest days, Monroe salesmen were required to develop a storehouse of knowledge out of which they drew a myriad of applications for business figuring—applications





Frank Stephen Baldwin invented a machine that could add, subtract, multiply and divide.



Jay Randolph Monroe saw the business world's need to avoid some arithmetical drudgery.



A chance remark brought Jay Monroe and Frank Baldwin together in 1911 in East Orange, N. J. Their meeting led to this, the original Monroe calculator.

that customers could use to get the best results from their Monroe products.

Service technicians were highly trained in order that customers could use their figuring devices at peak efficiency and without undue interruption.

That was Jay R. Monroe's policy 58 years ago; it is Monroe's policy today. It is outlined in "The Monroe Doctrine" which has been part of the company's recent advertising programs.

Monroe was acquired by Litton Industries in 1958. As part of Litton's Business Systems and Equipment Group, Monroe has broadened its technological base to the extent that today it offers the widest range of electronic desk top calculators available to business, science and education. And, equally important, Litton has fostered Monroe's traditional marketing philosophy.

More than 3,000 salesmen and service technicians now carry out this tradition through 350 branch offices all over the U. S. and Canada. They provide Monroe services not only to the major cities but to the most remote corners of the states and provinces.

And a network of subsidiary companies and franchised dealers extend Monroe services throughout the world.

"One of the underlying causes for the inception of this company was an ambition to do something useful, to perform a service and perform it so well that it would be a world-wide success," Jay R. Monroe said in 1918.

When he spoke those words, he expressed a hope. Today, that hope is a reality.

I am firmly convinced that dedication to rendering a service rather than simply distributing a product has made Monroe the world leader it is today. It was said another way in "The Monroe Doctrine":

"We make calculators. But service is what we sell. Calculators are our life, not a sideline. We take care of our customers as if our life depended on it. Because it does." **END**



## MONSANTO

# Dealing With a Disaster

put in 8-28-74

The crucible of crisis affords the measure of a man and his company. And it was so with the Texas City disaster and Edgar Monsanto Queeny (1897-1968) of Monsanto Co.

Mr. Queeny was board chairman that momentous day of April 16, 1947, when word reached him on the East Coast that the company's big, modern plant at Texas City had literally been blown up. Within the hour, he and some of his associates were flying to the scene.

Initial news dispatches erroneously reported the massive blast had originated in the Monsanto plant, built during World War II to make ingredients for synthetic rubber. The truth was that the disaster was triggered by an explosion on the French ship *Grandcamp*, across the quay from the Monsanto plant.

Of his feeling of horror as his plane circled the holocaust, Mr. Queeny later wrote, "You have heard it described in the press and over your radio. The reporters did not exaggerate. Exaggeration would have been impossible; our language is too inadequate. . . . When the atomic bombs were exploded high above Hiroshima and Nagasaki, the blast beneath them . . . may have been less severe than that suffered by parts of our plant."

In what a reporter said was "a masterpiece of restrained anguish," Mr. Queeny later wrote in a report to Monsanto stockholders, employees and friends:

"Our warehouse—a steel and brick structure—was flattened; not a splinter remained upright. The main pow-



By Charles H. Sommer  
Chairman of the Board  
Monsanto Co.

er plant was similarly crushed. As the blast fanned out, walls of manufacturing buildings fell, windows of the plant office and laboratories shattered, roofs were ripped off, and pipelines carrying inflammable liquids were torn apart.

"A huge wave, rushing in from the basin where the ship had rested, inundated the area while the explosion's heat ignited the benzol, propane and ethyl benzene pouring out of the ruptured pipes and storage tanks.

"Preventing effective rescue, these fires raged two days, sending up a mile-high Vesuvian wick which joined the titanic smoke columns arising from the nearby storage tanks of oil refineries, forming a pitchy umbra over the racked and grief-laden community.

"Because our payroll records were kept in the plant and were scattered by the blast, we are without an accu-

rate list of those on duty at the time.

"We employed 658 persons in this plant. After most careful checking, we believe that 451 were on duty at the time. Of this number, 154 were killed or are missing and believed dead; more than 200 required hospitalization; and 95 of the more seriously injured are still in hospitals. Some of them are not expected to survive.

"While there were many miraculous escapes from death, few escaped without the proverbial scratch. Almost all those not requiring hospitalization needed some medical aid. . . . While fate usually plays no favorites, our technical staff suffered the heaviest proportion of casualties.

"Of 17 young and promising chemists who were supervising production in different departments, 16 perished, leaving behind many young widows and families of tiny ones. To this list may be added other technical men who are still in critical condition."

Mr. Queeny visited hospitals where "we attempted to solace wives sitting beside husbands whose lives were in the balance." And he visited the ruins while "the smoldering rubble in our plant still hissed as fireboats played streams upon it."

Although he recognized attempts to lessen the grief of victims would be ineffective, "this being within the province of time alone," Mr. Queeny reacted in a characteristically direct way, knowing stockholders would approve.

Widows were offered immediate payments of \$1,000 to help with urgent needs. This was in addition to coverage under the company's group





*From out of adversity can come great things, and so it was with the Texas City explosion in April, 1947. Despite death and destruction, and grief, Monsanto Co. became a better, stronger organization.*



*Edgar Monsanto Queeny  
of Monsanto Co.*

insurance plan, disbursement for which began two days after the blast. Other monetary payments were awarded as required under state law. And special hardship cases were helped liberally.

Arrangements were made for the company to bear all costs for hospitalization and treatment of injured employees. Temporary repairs were made to the homes of 148 employees and more permanent housing assistance programs were started. Transportation was arranged, and its cost paid, for bereaved families moving to former homes in other cities. Wages of surviving employees were guaranteed.

Mr. Queeny ordered \$500,000 appropriated "to provide for the cost of these payments beyond our legal liabilities, and to reward outstanding

cases of heroism." The Board of Directors later approved the action unanimously.

"Sometimes," Mr. Queeny said, "it takes a tragedy to bring forth the better qualities of human beings. Our visit to Texas City made us proud to be Americans and especially so to belong to the exceptionally able group of them making up Monsanto."

The manner in which Board Chairman Queeny and his company met the Texas City disaster is now part of the Monsanto tradition. From the ashes of disaster rose a stronger, more modern plant at Texas City—and a stronger, more modern Monsanto.

Although Edgar Queeny has gone, much of his spirit remains to help move the company forward today.

END



## MOTOROLA

# When His Firm Was Auctioned, He Bid



By Homer L. Marrs  
Vice President and General Manager  
Communications Division  
Motorola, Inc.

Near the end of his career, Paul V. Galvin, founder of Motorola, Inc., said, "Do not fear mistakes. . . . You will know failure. . . . Reach out. . . ."

In 1928, at the age of 33, Mr. Galvin had already failed in business twice, both times being forced out of the storage battery business by competition. The second time, however, success was almost within reach.

He had built a battery eliminator that would enable consumers to continue to use their battery radios even after the introduction of alternating current radios. Unfortunately, his creditors came before he could fully market his innovation.

Convinced he still had a marketable item, Mr. Galvin attended the auction of his own business and, with \$750 he'd managed to raise, bought back the battery eliminator portion of it. Thus began the Galvin Manufacturing Corp., known today as Motorola, Inc., the largest corporation in the United States devoted exclusively to electronics.

With the advent of AC radio sets, Mr. Galvin knew the eliminator would soon cease to have a market. He began to manufacture a nine-tube AC home radio. To this standard set he applied the nameplates of his 20 suppliers, for their private-label sale.

The fledgling company enjoyed the economic boom until the stock market crash nearly put Mr. Galvin out of business for a third time.

Then his uncanny marketing sense led him to take a bold step—the packaging of car radios on a big

scale, something never done before. After day and night work, the first commercial car radio was built—the Motorola, a name suggesting both motion and radio. The name became so popular that it was later taken as the official corporate identification.

Despite the Depression and a concentrated effort by some states to outlaw car radios on the basis that they constituted a hazardous distraction to the driver, the number of Motorola distributors grew and the market flourished.

Mr. Galvin's philosophy in dealing with his distributors played a key role in this success.

"Tell them the truth," he said. "First because it's right and second because they'll find out anyway."

Car and home entertainment units might have been the culmination of Motorola's success story had it not been for the growing need for two-way radio communications.

For some years, Mr. Galvin had been modifying standard car radios to permit police departments to receive the higher frequencies assigned to them. Their need for better communications prompted him to set up a separate Police Radio Department that concentrated on manufacturing and selling AM police radios.

As a boy in the stockroom, shepherding the modified radios through production, I was privileged to be a part of this "reach out" beginning. Today that department is the Communications Division and the world's leading manufacturer of two-way radio systems.

When Mr. Galvin heard that the Army lacked proper radio communications, he sent his chief engineer to inspect the heavy, cumbersome, backpack radios being used. Upon receiving his engineer's report, he set out to develop a lightweight portable transceiver, achieving what he knew to be an amazing unit.

Several months later, Pearl Harbor was bombed. Nearly 40,000 of the "Handie-Talkie" portable radios were used during World War II.

Just prior to the war, Mr. Galvin became impressed by the successful development of an FM mobile communications system for police use. He persuaded the system's developer, Dan Noble, a University of Connecticut professor, to join the company on a temporary basis. Mr. Noble, still with Motorola, is now chairman of the board of directors' science committee.

The war effort channeled Motorola's efforts. With Mr. Noble's expe-





ret'd

THE FIRST  
*Motorola*  
AUTO RADIO  
*Designed by* PAUL V. GALVIN  
1929

Paul V. Galvin's business life seemed more a matter of downs than of ups until he began packaging a car radio on a large scale. The product was called the Motorola because the name suggested both motion and radio.



Paul V. Galvin, founder  
of Motorola, Inc.

rience in FM equipment, a new, longer-range, portable two-way radio was built. The famed SCR-300 Walkie-Talkie radios gained tremendous recognition for their contribution to the war effort. Over 50,000 of these FM units were built during the war.

Following the war, efforts were channeled back to developing FM equipment to meet the increasing demands of a fast-paced public.

Better two-way radio communications were needed: Police and fire response was expected to be immediate; taxicabs were impatiently awaited; farmers required a method of coordinating their far-flung fields to get their products planted, harvested and to market at the best time; housewives turned to the plumber or druggist who could de-

liver service the fastest. The public demanded quick service. Two-way radio provided the method of furnishing it.

Paul Galvin's "reach out" philosophy and desire to meet the needs of his customers led him to venture yet further into the field of electronics. Today, Robert W. Galvin, his son, carries on the tradition of innovation and growth.

Currently, the company has six operating divisions:

They are the Communications Division, Automotive Products Division, Semiconductor Products Division, Government Electronics Division, Consumer Products Division and Control Systems Division. Still headquartered in Chicago, Motorola has major facilities across the nation and around the world. END



OTIS

## A World's Fair Stunt That Lifted Skyscrapers

American cities, in the 1850s, were feeling the growing pains of the Industrial Revolution. With building heights held to the four or five stories that people would climb, space was lacking downtown to house the nation's burgeoning businesses.

Elisha Graves Otis found the way to lift that barrier to progress. In 1852 he had built a hoist for the Yonkers Bedstead Manufacturing Co., where he was master mechanic. Hoists for freight were nothing new, but few passengers would ride them for fear of a fall if the rope should break. Mr. Otis added a simple but sure automatic safety device to keep his hoist from falling.

He had invented the elevator, but his vision ranged far beyond. Sensing the needs of his own time and of times to come, this businessman-innovator in 1853 opened the first plant to manufacture elevators. It was the start of a company and an industry.

Next year, in a shrewd public relations move, Elisha Otis rode on his "safety hoister" at America's first World's Fair, in New York.

Hoisted high up in the crowded Crystal Palace, he ordered the rope cut. The platform held fast, demonstrating to thousands of fairgoers and millions in the world at large that the safe elevator had arrived. As the idea began to take hold, buildings rose to progressively greater heights to give the modern American city its distinctive soaring skyline.

Early elevators were powered by steam and then by water until, in 1889, Otis Elevator Co. introduced the electric elevator. Five years later came the start of automation with the



By **Ralph A. Weller**  
President  
Otis Elevator Co.

first push-button elevator. Today computer systems with solid-state circuitry control whole groups of elevators for split-second response to passenger calls.

As elevators became faster and more automatic, taller buildings became economically feasible. Sky lobby and double deck elevators now pack still more transportation service into a building without taking too much space for hoistways.

Sky lobby systems, which stack elevator hoistways to upper floors above those for the lower, make practical the twin 110-story Tower Buildings of The World Trade Center in The Port of New York, where Otis is installing a record total of 236 elevators and 65 escalators.

A double deck elevator has two cars, one above the other. Otis recently completed the first modern system of double deck elevators, in the Time-Life Building in Chicago,

and is installing them in other buildings, including the 80-story Standard Oil Co. (Indiana) Building, also in Chicago, which will have the largest such system.

Massive housing needs in urban areas must be met largely by multi-story construction, for which Otis has developed lines of pre-engineered elevators. Equipment is manufactured on an assembly-line basis and shipped off-the-shelf to the building site as needed.

Specifying elevators is simplified, with production, delivery and installation scheduling under computerized control.

Saving time in planning and construction, pre-engineering can speed completion of an elevator building, holding down its cost and letting it start earning a return sooner.

Escalators, which Otis introduced back in 1900, have been joined in the space age by "Trav-O-Lator" moving walks. Carrying people horizontally or on an incline, quickly and comfortably, these continuous transporters are being installed at airline terminals and other places in the U. S. and abroad where large numbers of people must be moved without congestion.

Long at the forefront in moving people, Otis since 1954 has also become a major factor in material moving, with our Material Handling Operations making Baker, Baker-York and Moto-Truc fork lift trucks and other equipment. Established in 1969, the Diversified Systems Division concentrates on engineering automated systems for automobile parking, cargo container handling and warehousing.





*Elisha G. Otis stood on his "safety hoister" as the rope that had pulled it up was cut. The elevator held firm at the sides and the road to high-rise construction had been opened.*



*Mr. Otis, in proving elevators safe, founded an industry.*

Business from all activities, worldwide, reached a new high of \$668 million in 1969, of which consolidated subsidiaries abroad contributed \$300 million. A pioneer in international operations, Otis was exporting elevator equipment to 31 countries by the 1890s and in the next decade started manufacturing outside the United States: in England and France in 1900, Canada in 1902, Germany by 1912.

Today, with global sales and earnings growing dynamically, Otis has offices in 410 cities in 123 countries and plants in 21 countries outside the U. S. Growth at home and overseas continues with internal development and purchase of selected businesses to strengthen Otis capabilities in its chosen fields.

Recent acquisitions include Westcoaster Co., which makes gasoline and electric vehicles for carrying materials and personnel; Saxby, one of France's leading producers of fork lift trucks; and Euclid Crane Hoist Co., which manufactures hoists and overhead and stacker cranes.

We see exciting possibilities in Transportation Technology, Inc., in which Otis has 40 per cent of the outstanding common shares. TTI is developing advanced transportation systems, including air-supported, linear induction motor-powered vehicles for use in city, airport and university complexes.

Research and development is finding better ways to satisfy changing needs in fields where Otis excels. A major aid to improved over-all efficiency, our new Corporate Computer Center will serve all domestic operations with a versatile data base for a broad range of activities, from market analysis and product development through expediting deliveries.

In the U. S. and around the world, in moving people and handling materials, the future looks as promising to us as it did to Elisha Otis when he recognized an emerging need and took those first fateful steps toward its satisfaction. **END**



## REPUBLIC STEEL

# How a New Steel Emerged From a Wreck

To the historian, Canton, Ohio, brings memories of Maj. William McKinley's "front porch" campaign for the Presidency in 1896. . . .

To the sports enthusiast, Canton is where the legendary Jim Thorpe and the Canton Bulldogs gave rise to what has almost become our national pastime—professional football. . . .

But to the steelman, Canton is the birthplace for alloy steels.

A visitor to Canton today can stand at the busy, downtown intersection of Market St. and Tuscarawas Ave. and find himself within a three-mile radius of the greatest concentration of alloy steel production facilities in the nation and maybe the world.

The story of the birth of alloy steelmaking traces back to shortly after the turn of the century.

In 1906, during time trials for the famed Vanderbilt Cup races, a foreign racing car was wrecked on the sands of Daytona Beach, Fla. A slim, blue-eyed spectator in his early 40s was curious about the almost demolished car. Finally, he made an offer of a few dollars for the pile of twisted metal and was told, "Mister, it's yours."

"What's your name?" asked the seller.

"Henry Ford," said the new owner.

What interested Mr. Ford were certain critical parts which escaped damage in the wreck. He knew that similar parts on an American car would have failed under the same circumstances.

Mr. Ford had the car dismantled and its parts shipped to Detroit where it was revealed they contained small quantities of a com-



By Thomas F. Patton  
Chairman of the Board  
Republic Steel Corp.

paratively new element—vanadium—which was under development in Peru. He called in an associate, C. Harold Wills, and commissioned him to find where they could obtain this steel of greater strength and lighter weight for the development of the Ford car.

For months, Mr. Wills tried unsuccessfully to find a company which could produce a steel to satisfy Mr. Ford's requirements.

His travels finally took him to Canton and the two-year-old United Steel Co. He discussed his project with John F. Carnahan, president, and Ed Langenbaugh, general manager of the company. After consulting their chief chemist and open hearth superintendent, Fred J. Griffiths, they decided to "go ahead" if the vanadium could be furnished.

Under Mr. Griffiths' direction, assisted by J. Kent Smith, an English metallurgist on loan from the American Vanadium Corp., a series of experiments to come up with the new alloy was begun in a 40-ton

capacity open hearth furnace. The third experimental attempt, Heat No. 1337, was an unequaled success. The new chrome-vanadium steel had remarkable physical properties compared with carbon steels then in use. Mr. Ford quickly adopted it as the material for the future production of higher-stressed parts for his cars.

However, the battle was not over for United. The next 12 to 15 attempts to duplicate Heat No. 1337 proved to be bitter disappointments. The repeated failures were costly as well as discouraging for the young company, which was in financial straits.

Finally, after a special meeting of the board of directors, United decided to make just three more attempts to duplicate 1337, with the cost to be shared equally by Mr. Ford.

On March 28, 1907, as Ford, United and American Vanadium officials looked on, the first commercial heat of chrome-vanadium alloy steel was tapped successfully. This was to become one of the most significant days in the history of the automotive industry as well as the steel industry.

Until then, alloy steel production was of such limited interest that its annual production was not even separated from carbon steel in the statistics.

Within two years, the nation's annual production of alloy steel reached 204,000 tons, and close to 900,000 tons annually were produced within three years, largely due to its application in the automobile.

As new alloys and new processing techniques were developed over the



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The first commercial alloy steel was poured in Canton, Ohio, on March 28, 1907, by United Steel Co., a forerunner of Republic Steel Corp. The bottom photo was made there that day. Third from right is Henry Ford, who was deeply involved in developing the new type steel. At extreme right is Fred J. Griffiths, chief chemist for United Steel, who was in charge of the alloy steel project. The picture above shows two very early electric furnaces in the Canton plant.



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years, Canton became the hub for the production of alloy, stainless and specialty steels. And other producers as well as supplying companies located in the area to take advantage of the proximity to markets and availability of technical know-how.

In 1969, more than 10 per cent of all steel produced in this country was alloy steel, and a substantial part of it was made or processed in Canton.

From those early days of the

Model T until now, a large portion of the alloy requirements for the major auto producers has come from this same Canton plant which became a part of Republic Steel in 1930. The small open hearths, however, have given way to one of the world's most modern electric furnace melt shops, with furnaces which can turn out up to 250 tons of steel in a "heat."

Production facilities of Ford Motor Co. and other auto producers,

using alloy steels in a variety of ways, also have been located in Canton and nearby cities.

There is little doubt that the bold decisions made in Canton almost 70 years ago helped shape the destiny of the auto industry and the steel industry and led to materials which turned our dreams of a space age into reality. And the growth of these industries aided the United States along the path to its role as a world leader.

END



## REYNOLDS METALS

The "Alarmist"  
Whose Thinking  
Was Sound

A lot has been written about the American dream of taking an idea, establishing a business on a shoestring and making a big success of it. If we had a shoestring in the days we were entering into the primary aluminum business, it would have been immediately mortgaged.

Our present company is the outgrowth of the U. S. Foil Co., founded by my father, R. S. Reynolds Sr., in 1919. This company began rolling aluminum foil in the middle '20s and in the late '20s, Reynolds Metals Co. was founded.

Through the '30s, we were a relatively small fabricator of aluminum, buying all our aluminum ingot outside.

Our great moment, entry into the primary business as the second American producer of aluminum ingot, came in the '40s.

My father, in a radio address years ago, told the background of the story:

"Some time before the fateful September of 1939, one of the officials of the French Aluminum Co. visited me in Virginia. I asked him if, under present world conditions, France could afford to ship aluminum metal to America and bauxite to Germany.

"On the very threshold of war this great Frenchman said, 'We do not need it.'

"I then said to him, 'What is Ger-

many doing with all the aluminum it is manufacturing?"

"He replied, 'Germany is short of other metals and is using aluminum for door knobs, truck bodies, window frames, boats and a thousand other products.'

"I replied that I thought Germany was using aluminum for the manufacture of airplanes to bomb France. He laughed and said, 'Don't be alarmed. France has drilled an army every year for 20 years and has nothing to fear from Germany.'

This conversation and a visit he had taken to Europe to search for metal convinced my father that the United

States would badly need more aluminum.

He went to Washington and camped on the doorsteps of many Congressmen to tell his story to anybody who would listen. One of the kinder things he was called was an "alarmist."

But he was finally introduced to Sen. Lister Hill of Alabama by Marion Caskie, a vice president of Reynolds and a friend of the Senator. This meeting struck a responsive chord. Sen. Hill arranged a meeting with Jesse Jones, administrator of the Reconstruction Finance Corp.

Despite opposition, we were given a loan for \$15,800,000. We had to pay 4 per cent interest—which sounds good today, but wasn't very advantageous in 1940—and mortgage all our plants.

Shortly after we had been given the loan, one of our opponents, the chairman of the National Defense Advisory Commission, told the press, in effect, that aluminum production during the next two years would be adequate to take care of military and civilian requirements and leave a surplus.

He even had a chart, which I will long remember, to illustrate his point.

Well, I won't say if he was right or wrong, but three months later the aluminum shortage was officially rec-



By R. S. Reynolds Jr.  
Chairman of the Board  
Reynolds Metals Co.





*In May, 1941, the late R. S. Reynolds Sr. (the dapper gentleman in the straw hat, wearing a boutonniere in his lapel) stood proudly aside as the first aluminum ingot was poured at a Reynolds Metals Co. plant in Alabama. Seven months later, the U. S. was in World War II.*

ognized and aluminum was the first metal to be put under mandatory priorities.

When the war was coming to an end, the then-critical problem was being faced of absorbing, in a peacetime economy, the production capacity of government war plants. Experts in both government and industry felt that these plants should be cannibalized.

My father and I went to Washington to testify before the Senate. He put forward the radical notion that not only could the nation absorb the output of all these plants, but that within five years it would be necessary to build new ones. He foresaw all sorts of uses of aluminum—in housing, in transportation, in packaging and other areas—which would require all the metal we could produce.

History, of course, proved him right. It was only three years until new plants had to be built.

In support of his confidence, we leased—and later bought—six of the government plants that were up for disposal. This was in January of 1946. By April, we had the plants back in production.

The peak war production, in 1943, by the entire U. S. aluminum industry was 920,000 tons. Today our company alone has a yearly capacity larger than that.

We roll aluminum for household uses such as Reynolds Wrap, supply molten metal to the automotive industry for the all-aluminum engine, form aluminum sheet into beverage cans, manufacture aluminum building products and supply aluminum for thousands of applications as diverse as the economy itself.

Many of these uses were pioneered by our company, not only because my father saw the potential of aluminum, but because he had the foresight to hire men who had the same kind of enthusiasm for aluminum that he had. This helped us last year to reach the billion dollar sales level.

A lot of critical decisions figured in our growth, but the steps taken in the 1940s stand out. They were based on the courage and faith of a man who believed in an idea and in the future of a metal—aluminum. **END**



## SHERWIN-WILLIAMS

# Turning an Art Into Science

ret'd all photo  
set to  
Mr. Sherwin-Williams  
3/2/71

As Shakespeare suggested about greatness, turning points in business are of three varieties. Some come through natural progression; some are the result of inspired insights and some are thrust upon a business.

The Sherwin-Williams Co. has experienced all three types during its 100-plus years. This brief account deals only with a turning point that was thrust upon it. In making the turn, the company pointed the way for an entire industry to forsake the pursuit of an art for the practice of a science.

The time was one of turmoil. It was 1915 and England's blockade of Germany was taking its toll in commerce and industry.

In no segment of our economy was the blockade's effectiveness more evident than in those industries dependent on German know-how in organic chemical intermediates. Makers of fertilizers, insecticides, medicinals, dyes and pigments were particularly hard hit by the lack of materials in which Germany enjoyed a virtual worldwide monopoly.

To make matters worse, very little was known outside Germany about organic chemical processing. Apparently, the Germans had as tight a monopoly on knowledge as they did on materials.

Against this background, the outlook for immediate relief was hardly encouraging. The last regular shipment of dyes from Germany came to the United States early in 1915. Twice during the following year a German submarine managed to elude the blockade and bring small supplies of the vital chemicals to America's



**By E. Colin Baldwin**  
*Chairman of the Board  
and Chief Executive Officer  
The Sherwin-Williams Co.*

shores. But this was certainly no way to try to keep industries dependent on German chemical intermediates operating.

So a decision was made at Sherwin-Williams: We would manufacture our own coal-tar intermediates and colors.

I am indebted to three colleagues for their recollections of what happened next. They are: Arthur W. Steudel, former president and chairman of the board; Dr. Nathan E. Van Stone, former vice president and director; and the late Wyatt A. Miller, former general manager of Chicago operations. They were young men at the time, confident and enthusiastic.

Spurred by the equal enthusiasm of the president, the late Walter H. Cottingham, they and their co-workers jumped at the challenge.

Reminiscing about the venture, Mr. Steudel shakes his head in amused recollection and admits that "the company certainly had a lot of nerve" to undertake the task. He

should know. He was assigned to direct the operation.

The few technically trained people within the company had little practical knowledge of organic chemical production processes. They literally had to learn what they could as they went along.

To reinforce them, the company set out to find chemists wherever it could. As Mr. Miller has recalled, the newcomers came from "everywhere"—several from Switzerland, at least one from China.

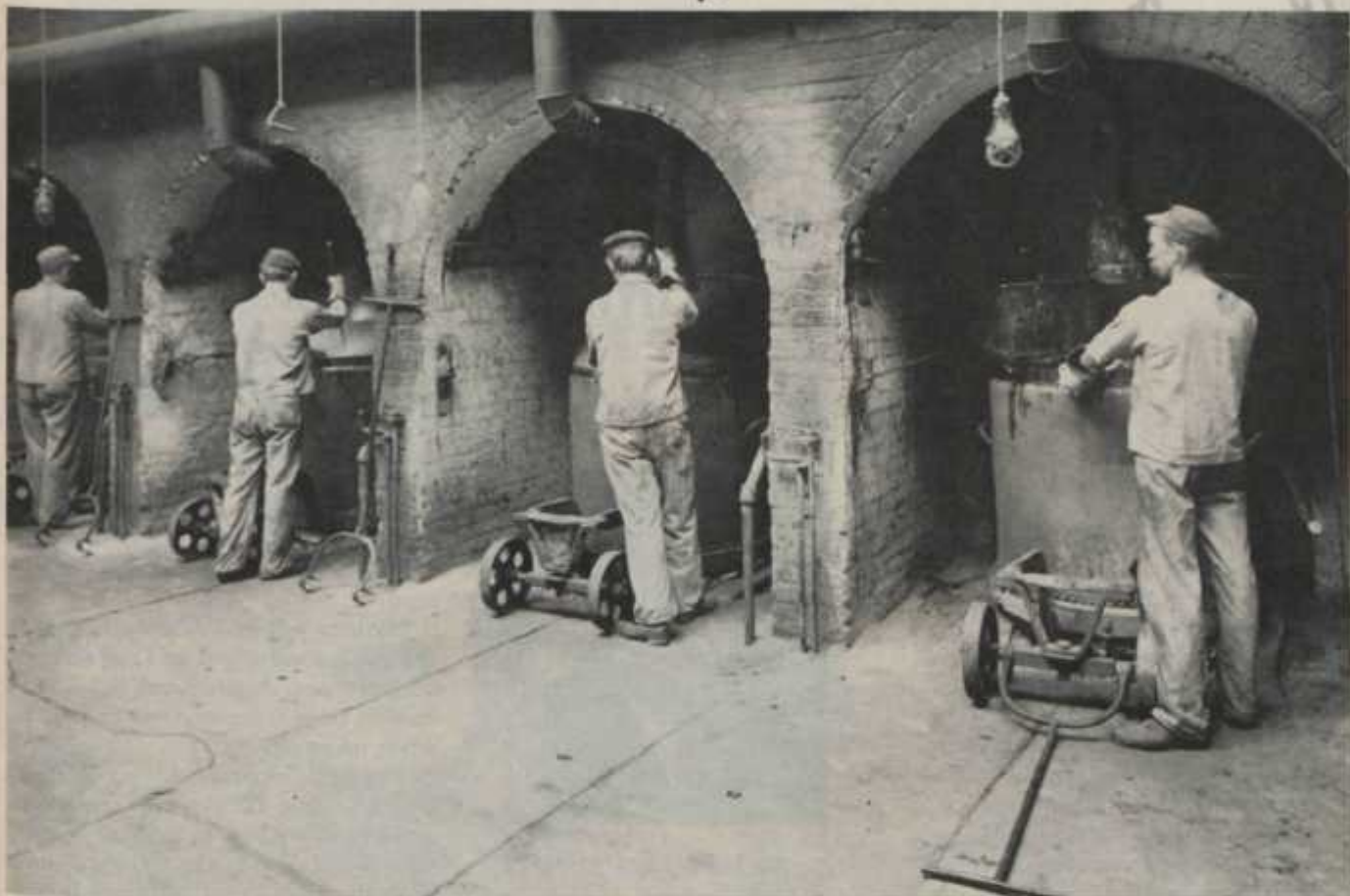
Recruiting efforts were almost frantic. Dr. Van Stone had the terrifying experience of being detained by German authorities during a visit to that country. They accused the young American of trying to recruit a chemist—a practice on which the Kaiser's government looked with a considerably jaundiced eye.

Even when knowledgeable chemists had been assembled, problems remained. Not the least of them was that nobody really knew how to build the necessary equipment.

But, despite the difficulties, in a surprisingly short time the company was producing beta naphthol and para nitraniline in sufficient quantity to meet its own needs and a goodly share of the industry's needs. Other organic chemicals and pigments followed in fairly rapid succession.

Although the people in the company concerned with making paint were somewhat suspicious of the chemists, the latter were definitely interested in what the paint makers were doing. Before many years had passed, the growing group of chemists





Far back in The Sherwin-Williams Co.'s history—which stretches more than 100 years—varnishes used to be made from “secret” formulas passed on from father to son. Varnish was “cooked” in open kettles over open fires in kiln-like ovens. Today, chemists and scientific formulas and fancy instruments have taken over. One of the great modernizers for Sherwin-Williams was Walter H. Cottingham (below). As president he helped the company overcome World War I shortages of dyes.



was delving into practically every phase of paint formulation and production.

They had much to offer. So much, in fact, that their arrival on the scene signaled the end of paint making ideas and methods that had been used for generations. They turned what had been an art into a science.

Thus was a turning point thrust upon Sherwin-Williams and, in a larger sense, upon the entire paint industry. Had it not been for the shortage of organic chemicals that brought chemists into the industry, it undoubtedly would have been many years later than it was that the world obtained the “miracle” paints we know today. END



STANDARD BRANDS

# Getting to the Bakery on Time



By Henry Weigl  
President  
Standard Brands Inc.

Fleischmann & Co. because people were slow to adjust to the idea of using the new yeast. In 1879 Mr. Gaff died and the firm was renamed Fleischmann & Co.

Charles himself sold Fleischmann's Compressed Yeast to housewives from a basket, and later from a horse-drawn wagon. Even the burning of the Riverside factory after one year of operation could not dampen his enthusiasm.

The turning point for the Fleischmann brothers came in 1876 at the Centennial Exposition in Philadelphia. The Fleischmann Co. erected a model bakery where visitors could actually see bread and rolls being baked with the new compressed yeast. These same breads and rolls were served in a restaurant which was part of the exhibit, and were praised by all who tasted them. The famous Model Vienna Bakery was known by people all over the United States.

It was at this exposition that Charles Fleischmann made one of the first offers of service to an industry. He distributed circulars which read:

"Bakers will find compressed yeast the most economical and suitable for all purposes. A practical baker will be sent to give instructions in its use, when necessary."

The Fleischmann Co.'s success was based on one of the most complete services offered to individual tradesmen or an industry. Before long Fleischmann's Yeast became a household word, and its widespread use, together with Fleischmann's service, helped the baking industry grow to its present size.

By 1900 the company's steady growth had resulted in the creation of the world's largest yeast plant at Charles Point, Peekskill, N.Y. Branch offices were established in large cities throughout the country.

Within 50 years Fleischmann's had developed a distribution system second only to that of the United States mail. Efficient distribution was necessary because yeast is perishable and must be delivered to the baker perfectly fresh. The Fleischmann delivery system became famous for its unflinching, clock-like regularity.

Not even the famous blizzard of 1918, and the Long Beach, Calif., earthquake in 1933 could interrupt the scheduled delivery of Fleischmann's Yeast. During such catastrophes, dogsleds, rowboats, and airplanes were used to deliver the yeast on time.

In 1921, the Fleischmann Co. an-

America's yeast industry was founded by an Austrian "still master" who brewed all the spirits used by the people living on the large estate where he worked. He also made yeast as a by-product.

Charles Fleischmann came to the United States with his brother Maximilian in 1866 to attend the wedding of their sister Josephine. While in America, Charles sampled some bread and was amazed at its poor quality. He foresaw a great future for any man who could produce in America bread as good as that made in his native land. He attributed the poor quality he had found to the yeast used by bakers.

After the wedding, the Fleischmann brothers returned to Austria. Two years later, Charles and Maximilian came to the United States bringing with them a test tube which contained a strain of the yeast that Charles had grown in Austria.

Charles carried the test tube in his vest pocket for warmth in order to keep the yeast alive and active. Early American settlers treated yeast with the same tender care when pioneer women carried their yeast starter in a leather pouch lodged between their breasts as the wagon trains forged westward.

This one superior strain of yeast which Charles brought from Austria was processed in this country into the first reliable commercial yeast American bakers had ever known.

With James M. Gaff, the Fleischmann brothers opened a small yeast plant in Riverside, Ohio, in 1868. Success did not come easily for Gaff,





## Patch Wet or Dry Roofs

**WET SURFACE ROOF REPAIR KITS** sell for as little as \$60.45 and include all material necessary for patching any roof whether it be wet, dry, or snow covered. Each kit contains trowel consistency and brush consistency material, glass reinforcing membrane, and roofing brush. New Thyex additive insures permanent adhesion at any temperature, even in puddles of water. **WET SURFACE ROOF REPAIR KITS** are low cost insurance against water damage to buildings, equipment, and stock. Free 2-gallon sample.



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### SKIDPROOF ICE MELTER

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ret'd.



In 1866, Charles Fleischmann (below), a visitor from Austria, took a bite of American bread and found it so bad that he nearly spit it out. Poor quality of yeast was his diagnosis. Two years later he returned with a precious test tube filled with fine yeast from Austria. He opened this yeast plant at Riverside, Ohio, and fought his way to business success. His company is now part of Standard Brands Inc.

ret'd



swered an urgent call from Pueblo, Colo. The town had been ravaged by flood. Telephone and telegraph lines had been broken and railroads washed out, yet a Fleischmann truck managed to bring 1,000 pounds of Fleischmann's Yeast to Pueblo to prevent its citizens from going hungry.

The driver traveled over treacherous roads. At one point, where an entire span of railway bridge over a stream had washed away, he had to fish timber from the stream and lay it over the gap before he could cross.

Fleischmann's Yeast also has taken a ride in space. In 1958 a U. S. Navy Vanguard rocket carried a small amount of yeast, not to make the space vehicle rise but to determine the effect of space travel on a simple form of life.

Charles Fleischmann died on Dec. 10, 1897, in his adopted home town of Cincinnati, Ohio.

Newspapers lauded him as a self-made man, a devotee of the arts, and a generous contributor to struggling artists and musicians. Mr. Fleischmann was twice elected to the Ohio Senate, once in 1880 and again in 1895.

The Fleischmann Co., now one of the divisions of Standard Brands Inc., has come a long way since the original yeast factory in Riverside, Ohio. That small test tube of yeast which Charles carried from Austria in his vest pocket was the beginning of the largest yeast manufacturing firm in the United States and one of the largest food companies in the world today.

END



WESTINGHOUSE

## A Mighty Transformation in Electricity

net y'd all photos  
3/10/71

One day in 1880, George Westinghouse was asked by his wife, Marguerite, to take her on a shopping trip from Pittsburgh to New York. He quickly agreed.

It was not only pleasing his wife that the young Mr. Westinghouse—already famed for his invention of the compressed air brake for railroads—had in mind.

He had read that another great American inventor—Thomas Edison—was planning a public demonstration of his electric lamp in Menlo Park, N. J. Mr. Westinghouse wanted to witness it.

Menlo Park was crowded that crisp night in December. And even Marguerite was impressed by the beautiful, long lines of brightly gleaming light bulbs. But George Westinghouse was disappointed when one of Mr. Edison's engineers told him that the electricity could be made to light lamps no more than a mile from the generators, a critical shortcoming.

Back in Pittsburgh, Mr. Westinghouse wasted no time describing to his engineers what he had seen.

"Direct current limits you to low voltages and that means distribution of electricity within a short radius of your generating system," he said. "In our gas system, we took gas at high pressures and delivered at a low pressure wherever it was needed. Why can't we do the same thing with electricity?"

Mr. Westinghouse immediately began searching for a way to transmit electricity over long distances.

Development of a suitable transformer was the key, and his inquiry led to an investigation of alternating cur-



By George L. Wilcox  
Vice Chairman  
Corporate Affairs  
Westinghouse Electric Corp.

rent, which is the standard of today.

His pioneering work brought the nation to the threshold of modern electric power.

But the main problem remained: how to transform electric current from low to high pressure and back again to make the alternating current system feasible.

The invention in Europe of a new mechanism called a transformer brought hope. Mr. Westinghouse bought the patents for \$50,000 from Lucian Gaulard, a French inventor, and John Dixon Gibbs, a financial backer.

However, the transformer's efficiency did not measure up to the requirements George Westinghouse had in mind.

He then sat down and drew a rough design of a new transformer, virtually turning the earlier one inside out. That basic design—one of the simplest of all electrical devices, contain-

ing not a single moving part and which can transform electric current to or from any voltage—is still in use today.

Strange as it may seem, alternating current was not immediately accepted. It was feared in some circles, much as are nuclear power plants today. The power contained in wires strung along poles above the ground was labeled in newspapers as "the electric murderer." An occasional accident touched off such headlines as **THE WIRE'S FATAL GRASP** and **ELECTRIC WIRE SLAUGHTER**.

Advocates of direct current had considered the electrical industry largely their private domain until Mr. Westinghouse entered the field with his alternating current. His entry set the stage for one of the great dramas of American industry—the battle of the currents and the clash of opinions between the two greatest inventive geniuses of the day—George Westinghouse and Thomas Edison.

Two Westinghouse engineering triumphs were to convert even the most skeptical.

In 1892 Chicago decided to build a "Magic City" on the shores of Lake Michigan to commemorate the four hundredth anniversary of the discovery of America. The city was to be bathed in the most brilliant lighting ever attempted up to that time. Only Edison General Electric Co. and Westinghouse were invited to bid; the job was deemed too great for any other manufacturer.

Edison's people were confident. The giant combine had exclusive patent rights to the incandescent





George Westinghouse, founder of Westinghouse Air Brake Co. and Westinghouse Electric Corp.



Westinghouse lamps bathed the great Chicago world's fair of 1893 in light and, incidentally, sent a young company toward other memorable successes.

lamp, and believed its bid of \$13.98 for each of the 250,000 lamps unbeatable.

The Westinghouse bid was \$5.25 per lamp. When it was opened, there was a deep sigh in Chicago. The country was on the verge of a depression. This would save the Columbian Exposition more than a million dollars. Mr. Westinghouse promptly received the contract.

He realized the financial risk, but he reasoned that the benefits of having his alternating current light the great world's fair—brilliantly and safely—and the impact on the world would be worth a probable loss.

And as for lamps . . . well, they'd just have to invent their own. "I am sure we have enough brains," Mr. Westinghouse said, "to develop a lamp that will serve our purposes."

Mr. Westinghouse himself invented the "stopper" lamp, which used a soft iron filament costing far less than the platinum of the Edison bulb. On May Day, 1893, President Grover Cleveland opened "Magic City." The *New York Times* described the view as "stunning" and the President himself said he had never witnessed "a more impressive scene."

The success at the Chicago exposition set the stage for Mr. Westinghouse's next major achievement.

In 1893, after bitter competition, he won the right to build the first

generators to harness the might of the Niagara Falls. All northern New York State eventually would be powered from this single source.

After the Westinghouse unit had been installed 18 months later, an international audience gathered at Niagara. Mr. Westinghouse was to order the switches thrown, and many long-time opponents had come hoping to see him publicly humiliated. The power of 5,000 horses, harnessed at a single source, would surely create so tremendous a din. . . . Could the equipment stand up?

"I think we are ready," Mr. Westinghouse said at last. "You might give the orders to turn on the machine."

His aide's famous reply has been repeated many times: "It has been on for five minutes, sir." The generators performed flawlessly.

The Westinghouse Electric Corp. today is carrying on the pioneering philosophy of its founder.

In 1911, just three years before his death, George Westinghouse predicted the advent of nuclear power in a rare speech. Discussing radium, he said, "There exists a form of energy of which we have as yet no knowledge, but which may yet become available to us as a result of further discoveries."

That form of energy—nuclear energy—is available today to help the

world meet its steadily growing demand for power, and the men who have carried on the work of George Westinghouse have played a major role in its development.

In 1937, the Westinghouse Corp. built the nation's first industrial atom smasher to investigate the secrets of the atom. Following World War II when the atom's military potential was an established fact, Westinghouse made a corporate decision to give first priority to development of nuclear energy for civilian use.

First came the atomic engine for the *Nautilus*—the first atomic submarine. Nuclear propulsion was followed closely by nuclear power as America's first full-scale atomic generating station was built by Westinghouse at Shippingport, Pa.

Today the company which George Westinghouse began is the world's leading firm in development and construction of nuclear power plants. The "form of energy" which he predicted has become the nick-of-time solution to the world energy crisis and a principal weapon in the fight against air pollution.

As the quest goes on for improved products and systems, George Westinghouse's company is in the vanguard of industrial enterprises that are bringing a higher living standard around the world through electricity.

END



## WEYERHAEUSER

# The Tree Farm and How It Grew

By J. E. Nolan  
Senior Vice President  
Administration  
Weyerhaeuser Co.

As the Nineteenth Century drew to a close, the farsighted had come to realize that the time had arrived for America to change its national resources policies.

These resources no longer seemed infinite.

But one of them, timber, had the recognized potential for infinite renewal. And so an era of government-industry cooperation to find forestry solutions seemed about to begin.

In 1902 and 1903, Weyerhaeuser Co. began forest management studies of its newly acquired timberlands. In 1904, it began fire prevention and control programs.

F. E. Weyerhaeuser, a son of the company's founder, told a national forestry conference in 1905 that forestry on private lands was practical but that "only by tremendous effort can the lumberman himself, the legislator, and the voter be made to realize its importance and its possibilities."

He had reason to believe that that effort was about to get under way.

Gifford Pinchot had shown him an advance copy of a speech prepared for delivery by President Theodore Roosevelt at that conference. It was a strong bid for government-industry cooperation, which could mean "the difference between mere agitation and actual execution."

TR didn't read the Pinchot-prepared remarks. For reasons still unexplained, he opted instead for a "confrontation" staged before the nation's press. He launched a slash-

ing attack upon his audience, calling its members (who had, after all, gathered to discuss forest conservation), "skinners of the land" and "despoilers of the national heritage."

The media took up the cry and the animosities created set back the practice of private forestry for a generation; the clichés which spewed forth still cloud the nation's consciousness.

The charges went mostly unanswered. The timbermen had been attacked for past practices. Since the practices planned for the future were still more theoretical than real, their worth could not be demonstrated for several decades.

Frederick Weyerhaeuser, the founder of the company, had with his associates made a basic decision in 1900 to hold on to Weyerhaeuser Co. lands. The company would not "cut and run," and it would limit the amount of its cutting.

Eight years later, at 73, he made a mild rebuttal to the Roosevelt charges before a Congressional committee. Discounting reports of impending "timber famine," he urged federal action on fire control laws, and recommended laws to regulate the practices of loggers in order to preserve seed sources and safeguard against soil erosion.

He pointed out that property tax systems designed in pioneer days to speed the harvest and abandonment of forested lands were the chief deterrents to forest reproduction.

The company continued to experiment with forest regeneration and to urge a rethinking of state tax philosophies.

A body of knowledge was accumulated about forestry, and, in 1929, Oregon became the first state to make reforestation, rather than deforestation, a declared objective of its public and tax policy.

A trend seemed established and Weyerhaeuser committed itself to the sustained growing of trees.

J. P. (Phil) Weyerhaeuser Jr., then 35 and executive vice president of Weyerhaeuser Co., directed the first full-scale implementation of this policy in 1934. In 1936, the shareholders were told what was going on, and the company began to promote the slogan "Timber Is a Crop" within the industry and its plant communities.

The response, in many cases, was either a chuckle or a show of resistance.

After all, some 300 years of industry tradition were being challenged, with techniques that most operators felt were still unproven.

By the late '30s, Phil Weyerhaeuser had become convinced that two things were necessary—a large demonstration tract to offer physical proof, and a campaign to publicize it within the forest industry.

He picked what was known as the Clemons tract in southwestern Wash-



3/10/71



Gov. Arthur Langlie of Washington dedicates the first "tree farm" in June, 1941. J. P. (Phil) Weyerhaeuser Jr. (sitting at left) led a "timber is a crop" campaign.

ington, where the company owned 130,000 acres, mostly fire devastated land. There, foresters could prove out a comprehensive demonstration program without interfering with the activities of logging bosses.

Clemons became the site of "Operation Rehab." By 1941 the progress of "Operation Rehab" demonstrated that skeptics could be convinced. Roderick Olzendam, a company public relations executive, came up with an idea which would make the sales job easier.

He recommended that the tract be called a "tree farm."

The Clemons tract was dedicated as the nation's first tree farm in publicized ceremonies at Montesano, Wash., in June, 1941.

It led to a movement which has brought the application of scientific

forestry to more than 70 million acres of privately owned lands in 48 states, and which, as much as any other factor, reversed the long-term drawing down of America's forest resource. It probably accomplished more, more quickly, than any other single conservation program in world history, and became an accepted fact of rural American life by the start of the 1950s.

The United States, however, had become an urban nation. Urban voters, when they thought of the forest at all, continued to think of it in the terms popularized in the Teddy Roosevelt era—terms such as "timber barons" and "timber famine." Four out of five, according to 1952 polls, felt the federal government should confiscate or control privately owned forest lands.

The industry, which by now had a solid story of accomplishment to tell, lacked a common voice. It was fragmented among tens of thousands of timber owners and forest product manufacturers.

Weyerhaeuser Co. in 1952 was a relatively small factor within the industry. It was basically a Pacific Northwest lumber and pulp producer, little known nationally. Its stock was traded infrequently over the counter.

Nevertheless, Phil Weyerhaeuser decided that, if the industry wasn't capable of telling its own story, Weyerhaeuser Co. would.

"Unless an institution merits goodwill and understanding, it cannot maintain its position as part of our American industrial structure," he said.

So, 47 years after the 1905 conference, Weyerhaeuser began to respond for the industry to Teddy Roosevelt's charges. Eleven years after dedicating the first tree farm, the company launched a corporate advertising communication effort—with the advertising designed not to sell products, but to sell concepts and information.

Weyerhaeuser's "Wildlife Series" in the print media was the longest continuous advertising campaign built around a single theme ever to be carried out in the U. S. It ran for 15 years, and since has been transferred, intact in its basic messages, to national television.

Other companies in the forest industry have followed suit. Increasingly, companies in all industries have accepted the philosophy that the selling of the concept of American industry is as essential as the selling of industry's products.

The effectiveness of such communication has been demonstrated. In 1952, when Phil Weyerhaeuser launched the company advertising program, his industry was faced with a potential threat of a popularly backed political drive to confiscate its timber ownership.

At his death, four years later, such a platform was politically unthinkable. An industry voice had been heard.

END



## THIS MONTH'S GUEST ECONOMIST

James P. Baughman  
Associate Professor  
of Business History  
Harvard Graduate School  
of Business Administration



### PLAIN TALK ABOUT INTEREST

"Almost every generation is eventually shocked by the behavior of interest rates," wrote Sidney Homer in his monumental study of their fluctuations since 2000 B. C. Our time apparently has come, for few subjects currently generate more heat on the cocktail and rubber chicken circuit. And few generate less light.

Historically, American businessmen have made three erroneous assumptions concerning the rate of interest: They have persisted in using market rates instead of real rates in their conversational and corporate comparisons; they have consistently underestimated the volatility of both market and real rates; and they have just as consistently overestimated the power of interest rate variations to effect economic change.

Why they so persistently refuse to subtract percentage price rises in their analyses and projections of interest rates is puzzling.

Europeans and Latin Americans make these adjustments as a matter of course and for obvious reasons—the high rates of inflation characteristic of those areas during this century. But allowances for inflation are only grudgingly made in the United States.

Part of the problem stems from dim memories of periods such as 1878-1915 and 1920-1929 when businessmen found it safe to assume a reasonably stable or slightly falling price level. But to do so today is to fly in the face of more relevant history: American price trends have been generally upward for 75 years and national economic policy for 40 years has incorporated steady but controlled inflation as a basic principle.

It is a paradox that businessmen's

mistaken fixation with market rates has still permitted them to underestimate interest rate volatility. There has been a curious propensity among Americans to accept whatever interest rate prevails when they reach puberty as an immutable law of nature. This fixation leads to the sort of cultural shock noted by Mr. Homer.

Overestimation of the interest rate's power to effect change, however, is our most serious historical mistake. In economic terms, of course, the crucial question is whether or not aggregate demand can be significantly influenced by interest rate variations.

If not, then the effectiveness of monetary policy as a stabilizing control is seriously impaired. It's definitely time for some plain talk about interest rates in this context, but not much of economic substance is yet filtering through the political static.

Modern theory holds that interest rate variations have no direct effect on the level of consumption or saving. This is in stark contrast to the classical economic view that interest is the most influential determinant of how much people save out of their income.

It is true that interest rate changes may alter comparative returns among competing kinds of financial assets and cause lenders to redistribute savings to the cost or benefit of particular assets, institutions or regions. Witness the movement of funds from Eastern commercial bank savings accounts to Western savings and loan association shares in the 1950s or from the latter to Eastern commercial bank certificates of deposit in the 1960s.

Similarly, differentials or changes in the cost of consumer credit may

redistribute consumption expenditures among existing market channels. Such movements of funds are certainly responsive to interest rates, but they do not necessarily mean the level of saving or consumption has changed.

That level responds primarily to changes in money income which are consequences of changes in investment expenditures. We must not expect it to respond to administrative adjustments of consumer credit rates or of the interest allowable on financial assets. We must recognize such activities as the Fed's employment of Regulation Q for what they really are: political adjustments of competition among regions or financial institutions, and not key elements of national monetary policy.

Since the level of consumption or saving is unresponsive to interest rate changes, whatever interest elasticity there is in aggregate demand must reside in its investment component.

Indeed, it is safe to say that residential construction is quite interest-elastic within a wide range of rates. But the reaction time is slow: six to 12 months to reverse direction and another six to nine months to peak.

For business investment in plant and equipment, the evidence is far less conclusive. As John R. Meyer and Robert R. Glauber have put it, "it is counted as something of a revival when the interest rate is even asserted to have at least *some* influence on investment outlays."

The safest bets are to assume that business investment expenditures are somewhat interest-elastic, that the elasticity is greatest when rates are high late in an upswing of the business cycle, and that reaction time is at least as slow if not slower than for residential construction.

Even so, there is much controversy. The problem is evidence—a lack of reliable motivational studies of investment behavior.

What to do? Obviously, monetary policy-makers would be well advised to assume that aggregate demand can be significantly influenced by interest rate changes—even though the relationship is much more selective and slow than some politicians would have us believe.

We would all be well advised, however, to improve our perceptions of just where, when and how much the interest rate can make a difference.



# An Open Letter to All Owners and Stockholders of Small Companies in America

SIRS:

If you are an owner or a stockholder of a small business and want to merge, under the new accounting rules you are forced to sell at a substantial discount.

In short, you've been had. The new rules benefit the big companies—the buyers—not the sellers.

It came out this way because the Accounting Principles Board of the American Institute of Certified Public Accountants is run for the benefit of buyers, not sellers. They insist the buyer use "purchase" or "goodwill" accounting if you take stock for more than your book value under conditions that exist in 90 percent of today's mergers. Since no good company will allow goodwill on its books, it acts to discount your value in a negotiation by a substantial amount. And the better you are, the bigger the discount!

Goodwill accounting went out after 1929 because highly inflated stock had been issued by the agglomerators, enormously inflating their net worth. It was one of the prime reasons for the 1929 crash. Pooling accounting replaced it but the agglomerators abused that too. The accountants took it away from them and forced them back to purchasing and goodwill generation but now make them write off the goodwill against after-tax earnings but the goodwill is charged against the seller's earnings and therefor drops the seller's price substantially.

Suppose your company is earning \$1.0 million after taxes and earnings are growing at 10 percent per year—making you worth, say, 15 times earnings or \$15 million in a standard tax-free exchange. If your net worth were \$5 million, \$10 million of goodwill is created. This must be written off at least at 2½ percent per year or \$250,000 per year. That's deducted from your after-tax earnings and you only get 15 times \$750,000 or \$11.25 million. The boys in the green eyeshades have cost you \$3.75 million!

But it could cost you even more! Because they've done it by outlawing the "earnout."

Suppose the buyer's stock is priced at 7½ times earnings. If he buys you at a P/E of 15 he'll dilute his earnings and the public will think he's losing money. So he gives you an "earnout" 7½ times today's earnings down and 7½ times future earnings increments until the purchase price of \$15 million is reached. Simple. There's no dilution of either party's earnings and 90 percent of all mergers of good companies into the larger companies are accomplished this way—with earnouts.

But suddenly the accountants insist that if you have an earnout you must go to goodwill accounting. Since good companies are unwilling to show goodwill on their books even at a substantial discount, it means that you either have to take \$11.75 million from a bad company, or \$7.5 million from a good one, instead of the \$15 million you're entitled to. But the buyer's benefits don't end there.

You must take common stock—no bonds, convertible debentures, preferred, convertible preferred, etc. Last year the accountants forced everyone to regard convertibles as common stock equivalents. Now they reverse themselves when it comes to mergers. So if you want to merge, Buster, you take common stock, period! And you're locked in for several years—what if it falls out of bed while you can't sell it? You're dead. Today, the price can't be guaranteed, the buyer can't give you more stock to make it up to you.

Such makeup clauses are heartily disliked by the big companies because they have to note it in their published financial statements and, in fact, during the Big Slide of 1969-70 they've had to put up billions of dollars in additional stock as their stock fell off. Now the accountants have made all such payments illegal!

Illegal you say? Yes, illegal. Because the SEC forces public companies to follow these amazing rules I'm telling you about. The rules have the force of law!

Finally, the big companies got in a real crusher: you must deduct the costs of the merger from current earnings. This means that finder's fees, legal costs, accounting costs, etc. are all charged against current earnings before the purchase multiple is applied. This could easily mean, in the cases cited previously, a reduction in the price you receive for your company of another \$2-3 million.

We cannot believe that the accountants meant to deprive the millions of owners and stockholders of America's small companies of half the value of their life's work even before they sit down to the negotiation table. The rules must be changed. We are continuously working toward that end with all the resources at our command. We hope you will join us in the fight.

Sincerely,

STANLEY FOSTER REED

Editor and Publisher

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THIS SPACE CONTRIBUTED BY THE PUBLISHER

# Official Tax Calendar

for January  
prepared by  
the U.S. Internal  
Revenue Service

*On or before the dates listed here, you should take the action indicated. Saturdays, Sundays and January's single legal holiday have been taken into account. The dates shown for making semimonthly deposits of withheld income and Social Security taxes and excise taxes do not take local banking holidays into account. Nation's Business will publish in February the rest of the official 1971 tax calendar.*

**DURING THE MONTH** you may (unless required to make semimonthly deposits of withheld income and Social Security taxes or excise taxes) deposit income tax withheld and employer and employee Social Security taxes (Form 501), and excise taxes (Form 504)—regardless of amounts withheld or collected—for December, 1970, and gain an extension of time in which to file quarterly returns for such taxes, provided such taxes for October, 1970, and November, 1970, were timely deposited.

A CORPORATION that meets certain requirements may elect, at any time during the month, not to be taxed as a corporation for the year 1971.

EMPLOYERS should give their employees Copy "B" and "C" of Form W-2 by Feb. 1.

### Jan. 4

EXCISE TAXES due on sugar and foreign insurance policies for the first 15 days of December must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Sept. 30, 1970. Use Form 504.

### Jan. 6

EMPLOYERS must deposit income tax withheld and Social Security taxes on the wages paid during the last 16 days of December if they were liable for such taxes in excess of \$2,500 for any month during the quarter ended Sept. 30, 1970. Use Form 501.

EXCISE TAXES collected during the last 16 days of December must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Sept. 30, 1970. Use Form 504.

### Jan. 11

EMPLOYEES receiving cash tips in December of \$20 or more must report them to their employer. Form 4070 may be used.

### Jan. 15

INDIVIDUALS must pay the balance due on their 1970 estimated income tax, or in lieu thereof file an individual income tax return (Form 1040) on or before Feb. 1 and pay the full amount of the tax due for 1970.

FARMERS AND FISHERMEN may elect to file declaration of estimated income tax (Form 1040-ES) for 1970 and pay estimated tax in full, and file 1970 income tax return (Form 1040) by April 15. If declaration of estimated tax is not filed, see March 1 (in calendar to appear in February issue of NATION'S BUSINESS).

EXCISE TAXES for the last 16 days of December on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Sept. 30, 1970. Use Form 504.

### Jan. 20

EMPLOYERS must deposit income tax withheld and Social Security taxes on the wages paid during the first 15 days of January if they were liable for such taxes in excess of \$2,500 for any month during the quarter ended Dec. 31, 1970. Use Form 501.

EXCISE TAXES collected during the first 15 days of January must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970. Use Form 504.  
**END**



## What They Do About That Empty Feeling

"My secretary's sick. Quick, get a temporary."

Personnel directors more and more hear that kind of SOS.

Eight out of 10 U. S. firms now use temporary help services at some time, a survey by the Administrative Management Society shows.

Of these firms, 83.9 per cent feel they get good value for their money.

Here are the chief reasons they give for calling on temporary help:

- To replace employees absent because of illness, vacation or other reasons: 38.1 per cent.
- To use as added help during peak work periods: 32.2 per cent.
- To handle special jobs and projects: 25.3 per cent.

Other reasons cited are to reduce or control labor costs and to avoid overtime for regular employees.

More than 3,500 firms replied to the survey—"an unusually high response" of more than one out of five, AMS Executive Director Robert C. Walter says.

"This indicates," he adds, "that most management people are aware of and very interested in temporary help."

Companies that recently have used temporary workers called them for service in these areas:

	per cent
Office	60.6
Data processing	17.8
Industrial	16.1
Technical	4.1
Sales and merchandising	1.4

Surprisingly, 57 per cent said the temporaries are "as efficient" as their permanent employees, or more so.

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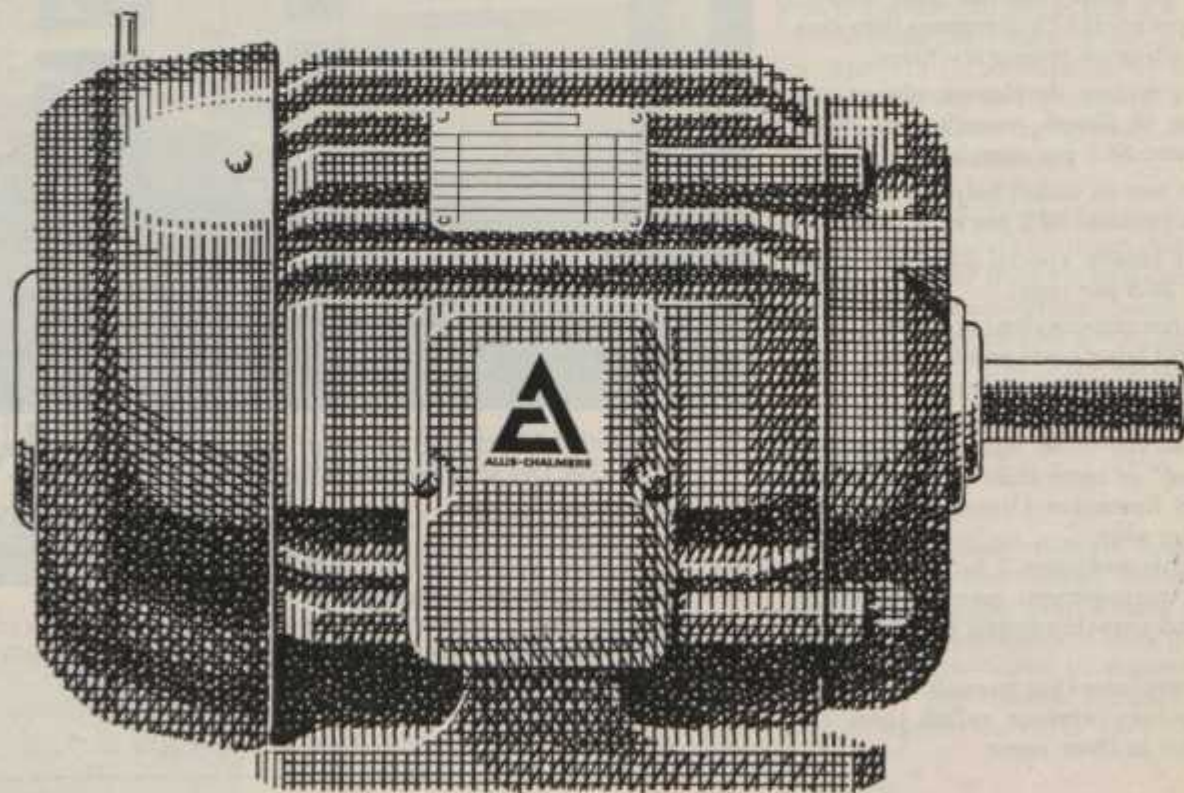
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# BUSINESS

# A LOOK AHEAD

BY GROVER HEIMAN

Associate Editor

## CREDIT AND FINANCE

Money management by the Federal Reserve Board is likely to be more flexible in the future if the tea leaves are being read correctly by the Bank of America.

The California financial giant detects a swing from crystal-balling on a basis of "market conditions" indicators to emphasis on "monetary aggregates" such as money

supply and bank reserves. The Fed ostensibly will establish the correct volume of money and credit and let interest rates fluctuate according to market conditions.

The bank notes, however, that the Fed is not totally committed to the monetary aggregate approach. "It is a policy in an experimental stage," says the bank.

## FOREIGN TRADE

Women's clothing manufacturers—many of them groggy as a result of the ups and downs of the midi—detect some encouraging news. Their market looks more favorable in Europe.

The American Apparel Manufacturers Association, Inc., draws this conclusion after a recent Commerce Department-sponsored trade mission: If the item is distinctively American it will sell, despite higher price.

A case in point: U. S.-made blue jeans, a

hot item "with limitless possibilities." Another: Europeans now "have a high degree of acceptance" of American sportswear for men and women.

High fashion goods? A real problem to change the European attitude towards U. S. fashions. Trade mission participants feel that, at the least, a joint effort by a group of top U. S. women's wear houses is needed.

The midi battle will provide seasoned campaigners for such an effort.

## MARKETING

Farm economists predict the "shakedown" in the dairy industry will continue for probably another five years before stability is reached in fluid milk sales. The market agitation has been going on for five years, producing headaches instead of milkshakes.

The cause—concern over health by the younger set.

In 1969, milk usage dropped to the lowest level since the late 1940s and sales fell to the 1961 level, according to the American Farm Bureau Federation. The high

point in sales was 1965. A Bureau survey of the 1966-68 period revealed this trend: More and more Americans under 28 years of age favor low-calorie and low-fat milks, due apparently to growing interest in weight control and emphasis on heart diseases. This age group comprises more than half the population.

Over 50 per cent of the fluid milk now sold is used in manufactured milk products. For 1980, Bureau economists see a "good but not necessarily a growing market."

## NATURAL RESOURCES

Following the meat processing industry pattern of using everything except the squeal, moo and bleat, the forestry industry is accelerating efforts to use everything except the breeze through the leaves.

Number one problem: bark.

Each year, about 17 million tons of bark are disposed of. Sixty per cent is burned as fuel at the industry's mills. Some 15 per cent has a variety of uses, such as in agri-

cultural products and particle board. The remaining 25 per cent is either used as landfill or burned.

But the growing power crisis prompts H. O. Fleischer, director of the USDA Forest Products Laboratory in Madison, Wisc., to suggest re-examination of bark as a power-generating fuel by communities near mills. Ten tons of oven-dried bark reportedly is the equivalent of seven tons of coal.



## AGRICULTURE

For the farmer with a patch of land that is so poor and sandy it won't hold moisture, petroleum and agricultural technologists have a suggestion—pave it.

A promising new technique, developed by Standard Oil Co. (Indiana) in conjunction with Michigan State University, is called an asphalt moisture barrier.

In a continuous operation, a special crawler-type tractor, combining farm plowing and asphalt laying technology, plows down two feet and sprays a one-eighth-

inch-thick by 90-inch-wide strip of asphalt in the fourth of a second the soil is open.

The barrier, which prevents moisture and nutrients from draining away, offers the possibility of cultivation of millions of acres of sandy soil throughout the world.

The machines, which are to be available early this year, can treat an acre per hour at an average cost of \$250. Determining cost factors are price of the asphalt and the transportation expense of the 1,000 gallons required per acre.

## LABOR

The National Labor Relations Board, long criticized by management and lately a target of organized labor, too, has another vexing problem—more activity by the labor lawyer fraternity.

Since 1966 there has been a marked shift in the number of consent and stipulated union representation election agreements. (Consent: when the parties agree to abide by a regional director's decision; stipulated: when disputed issues are to be decided by the Board in Washington.)

In 1963 the ratio was 47 per cent to 27 per cent in favor of consent elections. By fiscal year 1969 it had more than reversed

—51 to 28 on the side of "stips." The end result has been a substantial increase in workload for the Board.

An NLRB official reflects: "Maybe it is because more lawyers are in the act. Lawyers are always reluctant to close any avenue to appeals."

Although the total number of elections has leveled off to around 8,000 a year, a surge of elections and more "stips" could easily mire the NLRB down. This could be a big factor on the side of NLRB critics who advocate passage of legislation transferring jurisdiction over unfair labor practice cases to federal courts.

## MANUFACTURING

With the Christmas season sales race only a sprint for the toy industry, the strong of limb have a longer race in mind—one for a greater share of Americans' growing personal income.

Industry economists see about one third of those dollars falling into the discretionary income category by 1980. Accordingly, significant expansion by firms already in the field is forecast, as is the appearance in it of other firms seeking diversification.

But a lot of shakeups appear in order,

say the experts. One, for example, believes that while sales will more than double in the coming decade, the number of manufacturers will be halved.

He predicts sales will reach an annual rate of \$5 billion by 1980, and the number of toymakers will be down to less than 500.

A dozen firms now hold a third of the market, with a couple posting sales near the \$200 million mark. By 1980 about a dozen may reach that level.

## TRANSPORTATION

A tire industry answer to those mountains of discarded tire carcasses is not to climb them because they're there, but to reduce them through more efficient products.

Longer-life belted glass fiber tires, those promising more mileage, are scheduled to capture over half of the market by 1975. Further ahead, Owens-Corning Fiberglas Corp. advises, is an even longer-life "all-glass" radial tire on which it is working with manufacturers.

And within a few years motorists and

truckers may be able to replace tire treads without removing the wheel, by using a folding sidewall tire. This is a spinoff from a B. F. Goodrich Co. program to develop small aircraft tires for the Air Force.

A tire change is a matter of deflating the sidewall, slipping on a new tread and then reinflating. The Air Force says the sidewall should last through five or six of these instant recaps.

In laboratory tests the treads have hung on at speeds of 200 m.p.h.



## EDITORIAL

# A BETTER IDEA

With the economy on the upswing again, the fear of inflation is also intensifying.

There's more and more talk about an "incomes policy" under which government would somehow force labor and business to hold down wages and prices. But that solution ignores the biggest cause of inflation—deficit spending.

The government needs an income policy all right—without the "s." It needs to live within its income like the rest of us have to do.





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